GROWN ROGUE INTERNATIONAL INC.

(formerly NOVICIUS CORP.)

CSE FORM 2A

with respect to a Fundamental Change
pursuant to Policy 8 of the Canadian Securities Exchange

November 15, 2018

Grown Rogue International Inc. derives a substantial portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. Grown Rogue International Inc. is indirectly involved (through subsidiaries) in the cannabis industry in the United States where local state laws permit such activities. Currently, its subsidiaries are directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in the State of Oregon. Grown Rogue International Inc. also intends to enter the California market by the end of 2018. See Section 4.4 – *General Description of the Business – Grown Rogue* for further details.

The United States federal government regulates drugs through the Controlled Substances Act (the "CSA"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.

In the United States cannabis is largely regulated at the state level. To the knowledge of Grown Rogue International Inc., there are a total of 29 states, plus the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form, including the State of Oregon. Nine states and Washington D.C. have legalized recreational cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, and the increasing number of states with legal recreational frameworks, cannabis continues to be categorized as a Schedule I controlled substance under the CSA and as such, violates federal law in the United States. Senators Elizabeth Warren and Cory Gardner have introduced a bipartisan Senate bill titled "Strengthening the Tenth Amendment Through Entrusting States (STATES) Act" that would lift the Controlled Substance Act's restrictions on cannabis in states that have written their own laws. However, there can be no assurances as to when this bill will pass, or if it will pass at all. The Supremacy Clause of the United States Constitution and United States federal laws made pursuant to it are paramount and in case of conflict between federal and state law in the United States, the federal law shall apply.

As a result of the conflicting views between state legislatures and the United States federal government regarding cannabis, investments in cannabis businesses in the

United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US states had enacted laws relating to cannabis for medical and recreational purposes. The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that enacted laws legalizing cannabis in some form and that also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level.

In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued a memorandum (the "Sessions Memorandum") that rescinded the Cole Memorandum. As a result of the Sessions Memorandum, federal prosecutors are no longer bound by the priorities in the Cole Memorandum relating to the prosecution of cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. See *Risk Factors – Cannabis is Illegal Under Federal United States Law and – United States Regulatory Uncertainty*.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, Grown Rogue International Inc.'s business, results of operations, financial condition and prospects would be materially adversely affected. Until Congress amends the federal law with respect to marijuana use, there is a risk that federal authorities may enforce current federal law against companies such as Grown Rogue International Inc. for violation of federal law or they may seek to bring an action or actions against Grown Rogue International Inc. and/or its investors for violation of federal law or otherwise, including, but not limited to, a claim against investors for aiding and abetting another's criminal activities. See Section 17 – Risk Factors for additional information on these risks.

In light of the uncertainty surrounding the treatment of United States cannabis-related activities, including the rescission of the Cole Memorandum, the Canadian Securities Administrators published a staff notice (Staff Notice 51-352 (Revised)) on February 8, 2018 setting out certain disclosure expectations for issuers with United States cannabis-related activities. Staff Notice 51-352 (Revised) includes additional disclosure expectations that apply to all issuers with United States cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the United States cannabis industry.

Please see the table of concordance below for further information on the material facts, risks and uncertainties related to United States issuers with cannabis-related activities.

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("Staff Notice 51-352"), below is a table of concordance that is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

In accordance with Staff Notice 51-352, Section 3.4 provides a discussion of the federal and state-level U.S. regulatory regimes in the jurisdictions where Grown Rogue is currently directly involved through its subsidiaries or is planning to be directly involved in the future. Certain Grown Rogue subsidiaries are directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in the State of Oregon. Grown Rogue also intends to enter the California market by the end of 2018. In accordance with Staff Notice 51-352, Grown Rogue will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on Grown Rogue's licenses, business activities or operations will be promptly disclosed by Grown Rogue.

All Issuers with US Marijuana-Related Activities	Listing Statement Cross Reference
Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicates for at least one of the direct, indirect and ancillary industry involvement types.	Section 3.4 – *Trends Commitments, Events or Uncertainties* Section 4 – *Narrative Description of the Business*
Prominently state that marijuana is illegal under US federal law and that enforcement of relevant laws is a significant risk	Cover Page
Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	Section 3.4– *Trends Commitments, Events or Uncertainties* Section 17 – *Risk Factors – Grown Rogue's Business is Illegal under U.S. Federal Law* Section 17 – *Risk Factors – Because marijuana is illegal under federal law, investing in cannabis business could be found to violate the US Federal CSA*
Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies	Section 17 – *Risk Factors – Grown Rogue's Business is Illegal under U.S. Federal Law* Section 17 – *Risk Factors – Because marijuana is illegal under federal law, investing in cannabis business could be*

All Issuers with US Marijuana-Related Activities	Listing Statement Cross Reference
could impose certain restrictions on the issuer's ability to operate in the U.S.	*found to violate the US Federal CSA* Section 17 – *Risk Factors – Risks Relating to Other Laws and Regulations* Section 17 – *Risk Factors – Current and Future Consumer Protection Regulatory Requirements* Section 17 – *Risk Factors – Operational Risks* Section 17 – *Risk Factors – Grown Rogue will not be able to deduct many normal business expenses* Section 17 – *Risk Factors – External Factors* Section 17 – *Risk Factors – Failure to Protect Intellectual Property* Section 17 – *Risk Factors – Agricultural Operations* Section 17 – *Risk Factors – Liability, Enforcement Complaints etc.* Section 17 – *Risk Factors – Grown Rogue's business is highly regulated and it may not be issued necessary licenses, permits, and cards* Section 17 – *Risk Factors – Licenses* Section 17 – *Risk Factors – Local Laws and Ordinances* Section 17 – *Risk Factors – Third party service providers to Grown Rogue may withdraw or suspend their service* Section 17 – *Risk Factors – Grown Rogue may not be able to obtain or maintain a bank account* Section 17 – *Risk Factors – Grown Rogue's contracts may be unenforceable and property may be subject to seizure* Section 17 – *Risk Factors – The protections of US bankruptcy law may be unavailable* Section 17 – *Risk Factors – Grown Rogue may have a difficult time obtaining insurance which may expose Grown Rogue to additional risk and financial liabilities* Section 17 – *Risk Factors – Grown Rogue's websites are accessible in jurisdictions where medicinal or recreational use of marijuana is not permitted and, as a result Grown Rogue may be found to be violating the laws of those*

All Issuers with US Marijuana-Related Activities	Listing Statement Cross Reference
	jurisdictions Section 17 – *Risk Factors – The marijuana industry faces significant opposition in the United States*
Given the illegality of marijuana under US federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are/are not available in order to support continuing operations.	Section 4 – *Narrative Description of the Business* Section 17 – *Risk Factors – Grown Rogue may not be able to obtain or maintain a bank account*
Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	100% of Grown Rogue's balance sheet and operating statements are exposed to U.S. marijuana-related activities.
Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	Grown Rogue has received legal advice from multiple attorneys regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.
CSA Requirement – US Marijuana Issuers with direct involvement in cultivation or distribution	**Listing Statement Cross Reference**
Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Section 3.4– *Trends Commitments, Events or Uncertainties*
Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any	Section 3.4 – *Trends Commitments, Events or Uncertainties* Section 17 – *Risk Factors – Grown Rogue's Business is Illegal under U.S. Federal Law* Section 17 – *Risk Factors – Risks Relating to Other Laws and Regulations* Section 17 – *Risk Factors – Grown Rogue's business is highly regulated and it may not be issued necessary licenses,*

All Issuers with US Marijuana-Related Activities	Listing Statement Cross Reference
non-compliance, citations or notices of violation which may have an impact on the issuer's licence, business activities or operations.	*permits, and cards* Section 17 – *Risk Factors – Licenses* Section 17 – *Risk Factors – Liability, Enforcement Complaints etc.*
US Marijuana Issuers with indirect involvement in cultivation or distribution	**Listing Statement Cross Reference**
Outline the regulations for U.S. states in which the issuer's investee(s) operate.	N/A
Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.	N/A
US Marijuana Issuers with material ancillary involvement	**Listing Statement Cross Reference**
Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	N/A

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GLOSSARY OF TERMS

The following is a glossary of certain definitions used in this Listing Statement. Terms and abbreviations used in the appendices to this Listing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**Acquired Assets**" has the meaning set out in Section 3.1.

"**Act**" has the meaning set out in Section 4.4(B).

"**Agents**" has the meaning set out in Section 3.2.

"**Agent's Compensation**" has the meaning set out in Section 3.2.

"**Amalco**" has the meaning set out in Section 2.3.

"**Amalgamation**" has the meaning set out in Section 3.3.

"**Annual Materials**" has the meaning set out in Section 13.8.

"**Benchmark**" has the meaning set out in Section 3.1.

"**BOC**" has the meaning set out in Section 13.8.

"**Brokered Subscription Receipts**" has the meaning set out in Section 3.2.

"**Cal-Green**" has the meaning set out in Section 3.2.

"**Canopy Management**" has the meaning set out in Section 3.2.

"**Canopy Management Agreement**" has the meaning set out in Section 3.2.

"**Closing**" has the meaning set out in Section 3.2.

"**Code**" has the meaning set out in Section 24.1.

"**Cole Memorandum**" has the meaning set out in Section 3.4(B).

"**Common Units**" has the meaning set out in Section 2.2.

"**Consolidation**" has the meaning set out in Section 2.2.

"**Conversion Price**" has the meaning set out in Section 3.2.

"**CPSC**" has the meaning set out in Section 17.1.

"**DEA**" has the meaning set out in Section 3.4(B).

"**Debentures**" has the meaning set out in Section 3.2.

"**Debt Conversion**" has the meaning set out in Section 3.3.

"**Debt Conversion Share**" has the meaning set out in Section 3.3.

“**Debt Conversion Units**” has the meaning set out in Section 3.3.

“**Definitive Agreement**” has the meaning set out in Section 2.4.

“**DoubleTap**” has the meaning set out in Section 3.1.

“**DWF Technology**” has the meaning set out in Section 22.

“**DWF Transaction**” has the meaning set out in Section 22.

“**Dyami Energy**” has the meaning set out in Section 5.4(A).

“**Eligible Individual**” has the meaning set out in Section 9.

“**Escrow Agent**” has the meaning set out in Section 3.2.

“**Exchange or CSE**” means the Canadian Securities Exchange.

“**FATCA**” has the meaning set out in Section 24.1.

“**Federal CSA**” has the meaning set out in Section 24.2.

“**FDA**” has the meaning set out in Section 17.1.

“**FFCTO**” has the meaning set out in Section 13.8.

“**FIRPTA**” has the meaning set out in Section 24.1.

“**Federal CSA**” has the meaning set out in Section 3.4(B).

“**Financial Statements**” has the meaning set out in Section 6(B).

“**GES**” has the meaning set out in Section 13.8.

“**GRC Broker Warrant**” has the meaning set out in Section 3.2.

“**GRC Shares**” has the meaning set out in Section 3.2.

“**GRC Units**” has the meaning set out in Section 3.2.

“**GRC Warrants**” has the meaning set out in Section 3.2.

“**GR Acquisition**” has the meaning set out in Section 3.3.

“**GR Acquisition Agreements**” has the meaning set out in Section 3.3.

“**GR Distribution**” has the meaning set out in Section 3.2.

“**GR Gardens**” has the meaning set out in Section 3.2.

“**GR Broker Warrants**” has the meaning set out in Section 3.2.

“**GR Warrants**” has the meaning set out in Section 3.2.

“GRIP” has the meaning set out in Section 4.4(B).

“GRU Properties” has the meaning set out in Section 4.4(B).

“**GRUS Subscription Receipts**” has the meaning set out in Section 3.2.

“**Grown Rogue**” has the meaning set out in Section 2.4.

“**Grown Rogue Canada**” has the meaning set out in Section 1.

“**IASB**” has the meaning set out in Section 5.4(A).

“**Ice**” has the meaning set out in Section 2.2.

“**IFRS**” has the meaning set out in Section 5.4(A).

“**Interim Financial Statements**” has the meaning set out in Section 6(B).

“**IRS**” has the meaning set out in Section 24.1.

“**Issuer**” has the meaning set out in Section 1.

“**JDA2**” has the meaning set out in Section 3.1.

“**Listing Date**” has the meaning set out in Section 11.

“**Listing Statement**” has the meaning set out in Section 1.

“**Loan Agreements**” has the meaning set out in Section 3.1.

“**MCTO**” has the meaning set out in Section 13.8.

“**MD&A**” has the meaning set out in Section 6(B).

“**NI 52-110**” has the meaning set out in Section 13.6.

“**Note**” has the meaning set out in Section 3.1.

“**Noteholder**” has the meaning set out in Section 3.1.

“**Novicius AcquisitionCo**” has the meaning set out in Section 2.3.

“**Novicius AcquisitionCo Shares**” has the meaning set out in Section 3.3.

“**Novicius AcquisitionCo Warrants**” has the meaning set out in Section 3.3.

“**Novicius MD&A**” has the meaning set out in Section 6(A).

“**OHA**” has the meaning set out in Section 4.4(B).

“OLCC” has the meaning set out in Section 4.4(B).

“**OMMP**” has the meaning set out in Section 4.4(B).

“**Option Plan**” has the meaning set out in Section 9.

“**Options**” has the meaning set out in Section 9.

“**OSC**” has the meaning set out in Section 13.8.

“**Period**” has the meaning set out in Section 13.8.

“**Policy 12-203**” has the meaning set out in Section 15.1.

“**President’s List**” has the meaning set out in Section 3.2.

“**Proposed Purchase Price Shares**” has the meaning set out in Section 3.1.

“**Quadrant**” has the meaning set out in Section 3.1.

“**Required Filings**” has the meaning set out in Section 13.8.

“**Resulting Issuer**” has the meaning set out in Section 1.

“**Resulting Issuer Debentures**” has the meaning set out in Section 3.3.

“**Resulting Issuer Shares**” has the meaning set out in Section 2.2.

“**Resulting Issuer Broker Warrants**” has the meaning set out in Section 3.3.

“**Resulting Issuer Warrants**” has the meaning set out in Section 3.3.

“**Section 280E**” has the meaning set out in Section 24.1.

“**Stratex**” has the meaning set out in Section 3.1.

“**Stratex JDA**” has the meaning set out in Section 3.1.

“**Subscription Receipt Agreement**” has the meaning set out in Section 3.2.

“**Technology**” has the meaning set out in Section 3.2.

“**Technology License Agreement**” has the meaning set out in Section 3.2.

“**The Farm**” has the meaning set out in Section 4.4(B).

“**Torinit**” has the meaning set out in Section 15.1.

“**Transaction**” has the meaning set out in Section 2.4.

“**USRPHC**” has the meaning set out in Section 24.1.

“**USRPI**” has the meaning set out in Section 24.1.

“**Vendor**” has the meaning set out in Section 3.1.

“**Warehouse**” has the meaning set out in Section 4.1(B).

“**YES**” has the meaning set out in Section 22.

“**Zavala Inc.**” has the meaning set out in Section 3.1.

1. INTRODUCTION

This Listing Statement ("**Listing Statement**") is furnished by and on behalf of the management of Novicius Corp. (the "**Issuer**") in order to qualify for listing the securities of the Resulting Issuer (the "**Resulting Issuer**") following a fundamental change under the Policies of the Exchange.

The information contained or referred to in this Listing Statement with respect to Grown Rogue Unlimited, LLC ("**Grown Rogue**") and its business has been provided by its management.

Forward-Looking Statements

This Listing Statement contains information and projections based on current expectations. Certain statements herein may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Resulting Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Listing Statement, such statements use such words as "will", "may", "could", "intends", "potential", "plans", "believes", "expects", "projects", "estimates", "anticipates", "continue", "potential", "predicts" or "should" and other similar terminology. These statements reflect expectations regarding future events and performance but speak only as of the date of this Listing Statement. Forward-looking statements include, among others, statements with respect to planned acquisitions, strategic partnerships or other transactions and expansions not yet concluded; plans to market, sell and distribute products; market competition; plans to retain and recruit personnel; the ability to secure funding; and the ability to obtain regulatory and other approvals are all forward-looking information. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements.

There can be no assurance that any intended or proposed activity or transaction will occur or that, if any such action or transaction is undertaken, it will be completed on terms currently intended by the Resulting Issuer. The Resulting Issuer assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by law.

Although the Resulting Issuer believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Resulting Issuer can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. The forward-looking statements herein speak only as of the date hereof. Actual results could differ materially from those anticipated due to a number of factors and risks including those described under "Risk Factors" in section 17 hereof.

2. CORPORATE STRUCTURE

2.1 Corporate Name

Issuer: The full corporate name of the Issuer is “Novicius Corp.”. The head and registered office of the Issuer is 1 King Street West, Suite 1505, Toronto, Ontario M5H 1A1. The Issuer was renamed to “Grown Rogue International Inc.” in connection with the Transaction and for references herein following the completion of the Transaction is referred to herein as the Resulting Issuer.

Grown Rogue: The full corporate name of Grown Rogue is “Grown Rogue Unlimited, LLC”. Grown Rogue’s registered office is PO Box 1055, Jacksonville, OR 97530, United States. Grown Rogue’s head office and principal place of business is 655 Rossanley Dr. Medford, Oregon 97501, United States.

Resulting Issuer: The full corporate name of the Resulting Issuer is “Grown Rogue International Inc.”. The head and registered office of the Resulting Issuer is 340 Richmond Street West, Toronto, Ontario, M5V 1X2, Canada.

2.2 Incorporation

The Issuer was amalgamated under the *Business Corporations Act* (Ontario) on November 30, 2009. The Issuer filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp. to Intelligent Content Enterprises Inc., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. The Issuer filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc. (“**ICE**”) to Novicius Corp. and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. On November 1, 2018, in preparation for the Transaction (defined in Section 2.4), the Issuer completed a consolidation (the “**Consolidation**”) of its common shares on the basis of 1.4 pre-consolidated common shares for one (1) post-consolidated common share (the “**Resulting Issuer Shares**”) and changed its name to “Grown Rogue International Inc.” As of the date of this Listing Statement, the Resulting Issuer has issued and outstanding 71,653,598 Resulting Issuer Shares and securities (consisting of warrants and debentures) convertible into an aggregate of 26,325,152 Resulting Issuer Shares. The Resulting Issuer has no preference shares outstanding.

Grown Rogue Unlimited, LLC is an Oregon Limited Liability Company organized on October 31, 2016 under the laws of Oregon. As of the date of this Listing Statement, Grown Rogue has issued and outstanding 60,746,202 common membership units (the “**Common Units**”) all of which are owned by the Resulting Issuer.

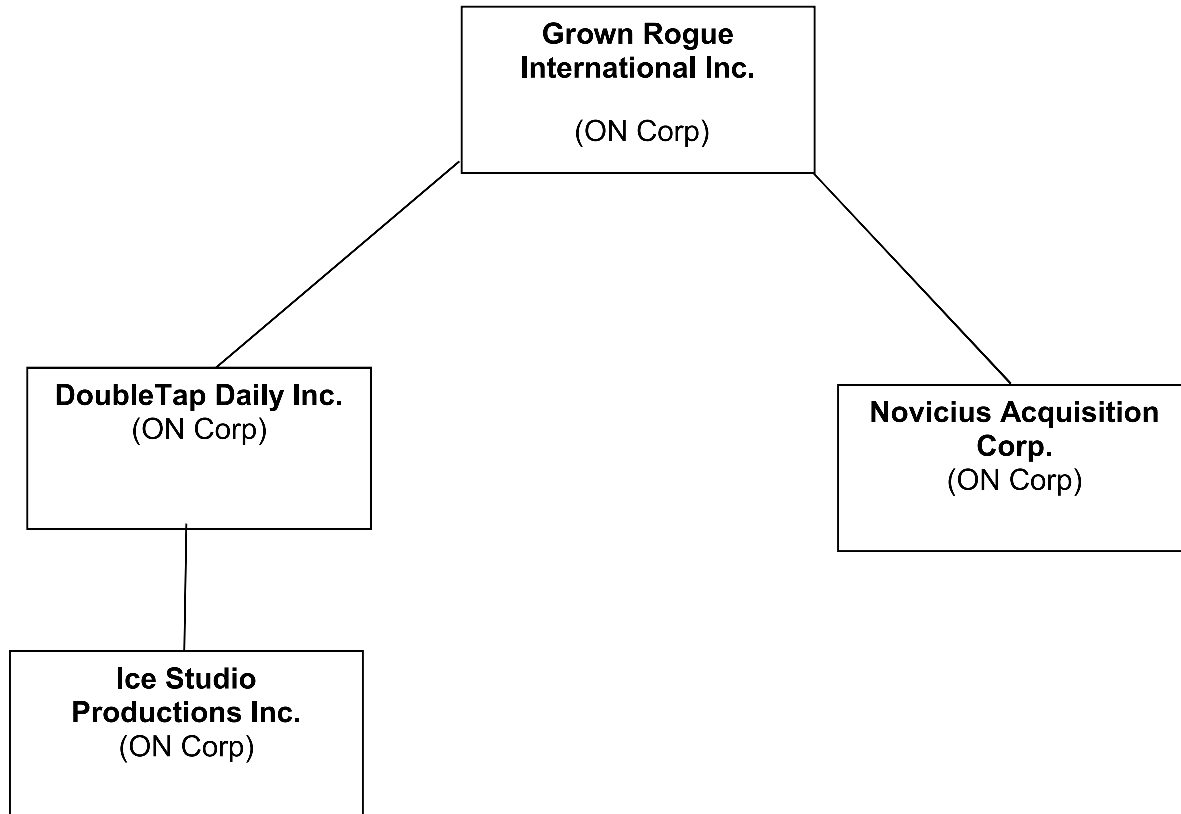
2.3 Inter-corporate Relationships

The subsidiaries of the Issuer prior to completing the Transaction were as follows:

Name of Subsidiary	Place of Incorporation	Ownership Interest
DoubleTap Daily Inc.	Ontario	100%
Ice Studio Productions Inc.	Ontario	100% held by DoubleTap Daily Inc.
Novicius Acquisition Corp.	Ontario	100%

("**Novicius AcquisitionCo**")		

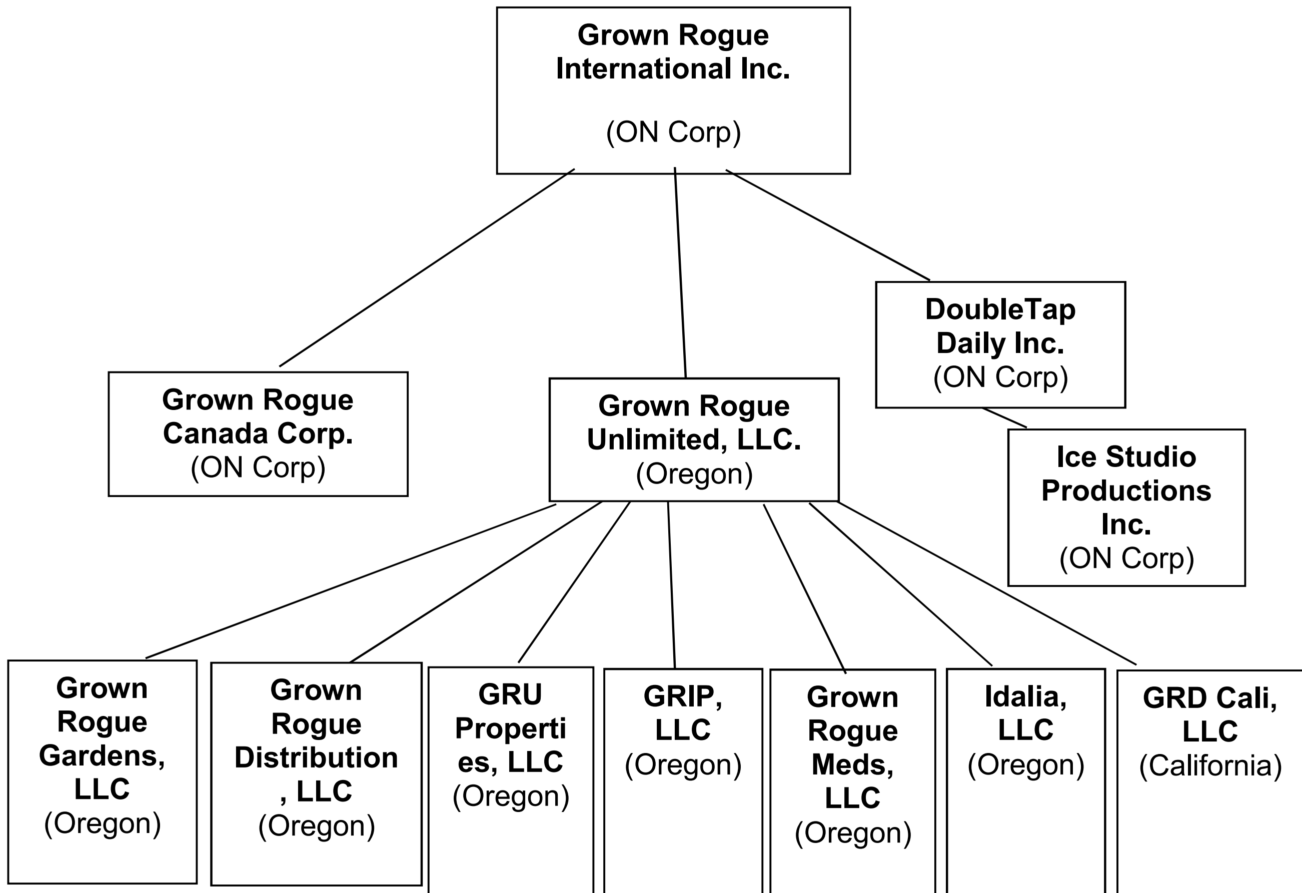
The corporate structure of the Issuer prior to the Transaction was as follows:



The subsidiaries of the Resulting Issuer after closing the Transaction is as follows:

Name of Subsidiary	Place of Incorporation	Ownership Interest
DoubleTap Daily Inc.	Ontario	100%
Ice Studio Productions Inc.	Ontario	100% held by DoubleTap Daily Inc.
Grown Rogue Canada Corp. ("**Amalco**")	Ontario	100%
Grown Rogue Unlimited, LLC	Oregon	100%
Grown Rogue Gardens, LLC	Oregon	100% held by Grown Rogue
Grown Rogue Distribution, LLC	Oregon	100% held by Grown Rogue
GRU Properties, LLC	Oregon	100% held by Grown Rogue
GRIP, LLC	Oregon	100% held by Grown Rogue
Grown Rogue Meds, LLC	Oregon	100% held by Grown Rogue
Idalia LLC	Oregon	60% held by Grown Rogue
GRD Cali, LLC	California	60% held by Grown Rogue

The corporate structure of the Resulting Issuer after closing the Transaction are as follows:



2.4 Fundamental Change or Acquisition

On October 31, 2018, the Issuer, Grown Rogue, Grown Rogue Canada Inc. ("**Grown Rogue Canada**") and Novicius AcquisitionCo entered into the definitive transaction agreement (the "**Definitive Agreement**") which set out the terms for the reverse take-over of Novicius by Grown Rogue and the related transactions (the "**Transaction**"). A full summary of the Transaction can be found in Section 3.3. On the closing date of the Transaction, the Issuer acquired the business of Grown Rogue and the funds raised by Grown Rogue Canada.

The completion of the acquisition of Grown Rogue constituted a fundamental change under the policies of the Exchange. Effective November 1, 2018, in preparation for the Transaction, the Issuer completed a consolidation (the "**Consolidation**") of its common shares on the basis of 1.4 pre-consolidated common shares for 1 post-consolidated common share and changed its name to "Grown Rogue International Inc.".

In consideration for all of the equity interests of Grown Rogue, the unitholders and warrant holders of Grown Rogue received an aggregate of 60,746,202 Resulting Issuer Shares at a deemed price of $0.44 per share and 5,446,202 Resulting Issuer Warrants (defined in Section 3.4) with an exercise price of $0.55 per share.

Grown Rogue is an Oregon based cannabis management company that through its wholly owned subsidiaries operates three licensed cultivation facilities and one licensed distribution

facility that currently service the Oregon recreational marijuana market. Grown Rogue is expanding its cultivation capacity and adding new business models to expand market share in Oregon as a fully integrated cannabis company, with plans to also enter into the California cannabis market. For more details relating to Grown Rogue's business please see Section 3.2 - *"General Development of Grown Rogue's Business"*.

2.5 Incorporation outside Canada

Grown Rogue was organized under the limited liability company laws of the State of Oregon, USA. The limited liability company laws of the State of Oregon do not materially differ from Canadian corporate legislation with respect to the corporate governance principles set out in CSE Policy 4 – Corporate Governance and Miscellaneous Provisions.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Development of the Issuer's Business

During fiscal 2014 and 2015, the Issuer's principal activities consisted of exploration, development and production of petroleum and natural gas properties.

Through the Issuer's former wholly owned Alberta subsidiary, 1354166 Alberta Ltd., the Issuer held a 5.1975% working interest in a producing property located in the Botha area in the Province of Alberta, Canada.

The Issuer's exploration and evaluation assets were located in Zavala County, Texas, USA. The Issuer through its former US wholly owned subsidiary Eagleford Energy Zavala Inc. ("**Zavala Inc.**") held an interest in a mineral lease, the 2,629 acre Matthews Lease.

During fiscal 2014 the Issuer had entered into a Joint Development Agreement (the "**Stratex JDA"**) with Stratex Oil and Gas Holdings, Inc. ("**Stratex**") to further develop the Matthews Lease. Under the terms of the Stratex JDA, Stratex acted as operator and upon Stratex delivering i) US$150,000 to the lessors of the Matthews Lease on behalf of Zavala Inc., ii) delivering US $150,000 to the Issuer; and iii) commencing a hydraulic fracture of the Matthews #1H not later than March 31, 2014. Stratex earned a 66.67% working interest before payout (50% working interest after payout) in the Matthews #1H well and a 50% working interest in the 2,629 acre Matthews Lease.

During fiscal 2014, the Issuer entered into a further Joint Development Agreement ("**JDA2**") with Stratex and Quadrant Resources LLC, ("**Quadrant**") for the development of the San Miguel formation on the Matthews Lease. Pursuant to the terms of the JDA2, upon satisfaction of certain conditions including the Phase 1 Work Program and the cash consideration described below, Quadrant could earn an undivided 66.67% before payout and a 50% working interest after payout to the base of the San Miguel formation of the Matthews Lease by i) drilling 3 new wells and reworking 5 wells at its sole cost and expense by June 30, 2015 (the "Phase I Work Program"); ii) deliver US$100,000 to the Issuer upon execution of the JDA2 (paid); and iii) deliver US$65,000 to the Issuer on each of July 8, 2014, October 6, 2014, January 5, 2015 and April 6, 2015. The Issuer recorded the cash payments and the payment of certain obligations under the Matthews Lease by Quadrant totaling US$303,712 (CDN$378,577) as a reduction in exploration and evaluation assets. Under the terms of the JDA2 Quadrant was required to complete the Phase I Work Program and pay the Issuer cash consideration totaling US$360,000 by June 30, 2015, which it did not and accordingly the JDA2 expired without Quadrant earning any interest in the development area.

Effective March 31, 2015, the Issuer entered into a settlement with Stratex and Quadrant pursuant to which Stratex assigned all of its rights, title and interest in, to and under the Matthews Lease and the JDA to the Issuer and Quadrant, and issued to the Issuer 1,333,333 common shares of Stratex as repayment of the disputed minimum royalty of US$152,293 and a further payment of US$25,000 was to be paid to the Issuer under the settlement agreement.

On July 2, 2015, the 2629 acre Matthews Lease transitioned into its production unit phase. A total of 340 acres were held as production units and the Issuer wrote down the lease to fair value of $1,212,996 and recorded an impairment of exploration and evaluation assets at August 31, 2015 of $4,490,045.

At August 31, 2014, the Issuer had issued a secured convertible promissory note to Benchmark Enterprises, LLC. ("**Benchmark**" or the "**Note Holder**") with a face value of (US$1,216,175) (the "**Note**"). The Note had an interest rate of 10%. The Note was due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Issuer that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Issuer of all of the shares in the capital stock of Zavala Inc. held by the Issuer from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Issuer or Zavala Inc.; or (e) an event of default.

In accordance with the terms of the Note and the General Security Agreement (the "**Loan Agreements**") the Issuer had granted and conveyed to the Note Holder a first priority security interest in the Issuer and Zavala Inc.

At August 31, 2015, the Issuer was unable to pay the Note $1,608,149 (US$1,216,175) plus interest of $154,179 (US$121,618), totaling $1,762,328 (US$1,337,793), which constituted an event of default pursuant to the terms of the Loan Agreements. The Note Holder made demand for payment of all amounts owed to it under the Note and gave notice to the Issuer that it intended to exercise its security on the Issuer's assets. The Issuer and the Note Holder entered into a Settlement and Exercise of Security Agreement whereby effective August 31, 2015, the Issuer assigned and conveyed to Benchmark all of its rights, title and interest in and to Zavala Inc., and issued to Benchmark 100,000 shares of the Issuer. As a result of the extinguishment of the Note, the Issuer's investment in Zavala Inc. has been deconsolidated from the Issuer's Consolidated Financial Statements as at August 31, 2015 and presented as discontinued operations.

The Issuer negotiated an Asset Purchase Agreement to be effective February 29, 2016, with an expectation to acquire the net assets (the "**Acquired Assets**") of Digital Widget Factory Inc., a Belize company (the "**Vendor**"), in an all-stock transaction by issuing 12,500,000 common shares and 5,750,000 Series A preferred shares (the "**Proposed Purchase Price Shares**").

The essential components of the proposed Acquired Assets were an intelligent content platform technology developed by the Vendor and a series of related websites under the url digiwdgy.com. The fair value of the DWF Transaction was estimated at $9,530,250 and agreed to be paid by the Issuer through the issuance the Proposed Purchase Price Shares.

Subsequent to February 29, 2016, management of the Issuer came to the conclusion that certain representations and warranties made under the Asset Purchase Agreement were conceivably deficient and on November 24, 2016 the Issuer advanced a Notice of Claim. On December 22, 2016, it was agreed that all disputed matters contained in the Asset Purchase Agreement be resolved in a Settlement Agreement whereby the Issuer agreed to return the

Acquired Assets to the Vendor and the Vendor agreed to return the Proposed Purchase Price Shares back to the Issuer.

The Settlement Agreement closed effective January 20, 2017, when the Issuer returned the Acquired Assets to the Vendor and the Vendor returned the Proposed Purchase Price Shares previously issued to the Vendor and a full and final release in respect of all obligations under the DWF Agreement was exchanged between the Vendor and the Issuer. The Proposed Purchase Price Shares have been cancelled in the capital stock of the Issuer and the Issuer no longer has any interest in the DWF Technology and the series of digiwidgy.com websites.

Effective February 29, 2016, the Issuer disposed of its investment in 1354166 Alberta Ltd., an Alberta company.

On February 29, 2016, the Issuer entered into an asset purchase and debt settlement agreement and converted loans and interest in the aggregate amount of $277,473 in exchange for the Issuer's 0.03% net smelter return royalty on 8 mining claim blocks located in Red Lake, Ontario which were carried on the consolidated statement of financial position at $Nil.

During January and February 2017, the Issuer developed a technology based platform, through its wholly owned subsidiary DoubleTap Daily Inc., ("**DoubleTap**") creating a digital media asset designed to showcase content and deliver digital media to engage social discourse while facilitating advertising and eCommerce with the intent to improve the overall user experience. The Issuer launched the platform during March 2017 and also began implementing native advertising services and ad-overlay services on its digital media asset for commercialization.

During the summer of 2017, DoubleTap executed its strategy to drive revenues through technologies and services that deliver content, social and digital media, eCommerce and advertising. Management continued developing the asset, by focussing activities to acquire content creators, bloggers and influencers while building a sales pipeline to position growth. DoubleTap continued activities to expand its social media reach, and web presence of its website. The digital media marketplace is crowded and competitive and although DoubleTap's web presence was growing, management was unable to sustain or build revenues that exceeded its expenditures. In the month of September of 2017, the Issuer maintained its digital media, and advertising platform while pursuing further ventures of merit to enhance shareholder value. Such efforts resulted in a non-binding Letter of Intent to combine with Grown Rogue as announced on September 28, 2017. To date the Issuer has maintained DoubleTap's digital media and advertising platform although its web presence has declined significantly due in part to management's activities focussed on performing due diligence and negotiations with Grown Rogue. The Resulting Issuer intends to divest of DoubleTap Daily Inc. and its business.

As of the date of this Listing Statement, the Resulting Issuer has no resource assets.

3.2 General Development of Grown Rogue's Business

Grown Rogue was formed on October 31, 2016 to establish a fully integrated, seed to experience cannabis brand delivering the highest quality, most consistent product to cannabis users in the state of Oregon. Grown Rogue manages indoor and outdoor growing facilities in the Rogue Valley of Southern Oregon to take advantage of the unique microclimates inherent to each of the various farm locations that helps create varied flavor and product profiles while retaining the unique core characteristics consumers desire.

Grown Rogue, an Oregon cannabis management company through its subsidiaries, Grown Rogue Gardens, LLC ("**GR Gardens**") and Grown Rogue Distribution, LLC ("**GR Distribution**"),

acquired four licenses (three producer licenses for its cultivation facilities held by GR Gardens and one wholesale license held by GR Distribution) to do business in the Oregon recreational marijuana market. Grown Rogue, through GR Gardens and GR Distribution, has been a license holder operating in the Oregon recreational marijuana market since July of 2017. See Section 4.1(B) for a description of Grown Rogue's business operations.

Promissory Note Offerings

On February 1, 2017, Grown Rogue issued an unsecured promissory note in the principal amount of US$50,000 with simple interest accruing at a rate of 12% per annum. The promissory note was subsequently assigned to Grown Rogue's wholly owned subsidiary, GRU Properties, LLC. Under the promissory note, interest only payments are due as follows: US$6,000 on each of July 1, 2018 and July 1, 2019 and an interest and principal payment of US$56,000 is due on July 1, 2020. All required payments under the note have been made.

In the last calendar quarter of 2017, Grown Rogue borrowed US$500,000 on a short-term basis with simple interest accruing at a rate of 25% per annum. On December 15, 2017, Grown Rogue formalized this debt by issuing an unsecured convertible promissory note to the holder for the total principal amount of US$1,000,000 with simple interest accruing at a rate of 25% per annum. The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the note was due and payable on the earlier of the following: (a) 36 months from the effective date of the note; or (b) the occurrence of a change of control of Grown Rogue. Immediately prior to the Transaction, the original principal amount of the note and all accrued and unpaid interest was converted into 4,782,284 Common Units.

On February 1, 2017, Grown Rogue issued an unsecured convertible promissory note in the principal amount of US$100,000 with simple interest accruing at a rate of 15% per annum. Principal and interest was due and payable on the three year anniversary of the promissory note. Immediately prior to the Transaction, the original principal amount of the note and all accrued and unpaid interest was converted into 557,151 Common Units.

On February 1, 2017, Grown Rogue issued an unsecured convertible promissory note in the principal amount of US$100,000 with simple interest accruing at a rate of 15% per annum. Immediately prior to the Transaction, the original principal amount of the note and all accrued and unpaid interest was converted into 485,379 Common Units.

On June 1, 2017, Grown Rogue issued an unsecured convertible promissory note in the principal amount of US$637,775 to J. Obie Strickler with simple interest accruing at a rate of 25% per annum. The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the note was due and payable on the earlier of the following: (a) 36 months from the effective date of the note; or (b) the occurrence of a change of control of Grown Rogue. On June 1, 2018, the original principal amount of the note and all accrued and unpaid interest was converted into 4,350,823 Common Units. The note issuance was a related party transaction given that, at the time of the transaction, Mr. J. Obie Strickler was the majority owner and sole manager of Grown Rogue.

On July 26, 2017, Grown Rogue's wholly owned subsidiary, GRU Properties, LLC, issued two unsecured convertible promissory notes, each in the principal amount of US$100,000, with simple interest accruing at a rate of 50% per annum for the first 6 months. Each note became due on February 1, 2018. On January 31, 2018, the holder of the notes: (a) received a return of principal of US$50,000 from one of the promissory notes and (b) extended the maturity date of the continuing convertible promissory note for the principal amount of US$50,000 to August 1, 2018 with a coupon interest rate of 30% per annum. Immediately prior to the Transaction, the

holder converted the original principal of the second convertible promissory note and all accrued and unpaid interest from both notes into 462,500 Common Units. On August 1, 2018, the holder of the note extended the maturity date to August 1, 2019, with interest at 12.5% per annum, payable monthly.

On July 26, 2017, Grown Rogue issued an unsecured convertible promissory note in the principal amount of US$100,000 with simple interest accruing at a rate of 50% per annum for the first 6 months. Immediately prior to the Transaction, the original principal amount of the note and all accrued and unpaid interest was converted into 385,417 Common Units.

On October 1, 2017, Grown Rogue issued an unsecured convertible promissory note in the principal amount of US$250,000 to J. Obie Strickler with simple interest accruing at a rate of 50% per annum. On March 31, 2018, the principal and all accrued and unpaid interest was converted into 1,644,188 Common Units. The note issuance was a related party transaction given that, at the time of the transaction, Mr. J. Obie Strickler was the majority owner and sole manager of Grown Rogue.

On October 20, 2017, Grown Rogue issued an unsecured convertible promissory note in the principal amount of US$100,000 with simple interest accruing at a rate of 50% per annum. On April 20, 2018, the holder of the note extended the maturity date to October 20, 2018 with interest at 30% per annum during the extension period. It is expected that the promissory note will be paid off on December 1, 2018.

On October 23, 2017, Grown Rogue issued an unsecured convertible promissory note in the principal amount of US$50,000 with simple interest accruing at a rate of 50% per annum. Immediately prior to the Transaction, the holder converted the original principal amount of US$50,000 and all accrued and unpaid interest into 174,079 Common Units.

On November 7, 2017, Grown Rogue issued a convertible promissory note in the principal amount of US$300,000 to Jacques Habra, an officer of Grown Rogue, with simple interest accruing at a rate of 50%. Accrued interest is payable in monthly installments of US$12,500 until maturity. The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) 12 months from the effective date of the note; or (b) the occurrence of a change of control of Grown Rogue. At any time prior to the maturity of the agreement, the holder has the right to convert all (but not less than all) of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable Common Units at a price per unit equal to the applicable conversion price calculated immediately before the closing of a going public event. Immediately prior to the Transaction, the original principal amount of the note and all accrued and unpaid interest was converted into 1,585,714 Common Units. The note issuance was a related party transaction given that, at the time of the transaction, Mr. Jacques Habra was an officer of Grown Rogue.

On November 14, 2017, Grown Rogue entered into an agreement with certain purchasers to issue a series of notes with substantially similar terms, including maturity, interest rates, and conversion terms. Under the agreement, the purchasers purchased convertible promissory notes with aggregate principal of US$550,000. The notes accrue simple interest at an annual rate of 50%. Approximately one-half of the principal and accrued but unpaid interest was paid by Grown Rogue on August 20, 2018. The remaining principal and any accrued but unpaid interest was paid on October 31, 2018.

On August 31, 2018, Grown Rogue issued an unsecured promissory note in the principal amount of $50,000. Immediately prior to the Transaction, the original principal amount of the note and all accrued and unpaid interest was converted into 198,214 Common Units.

Asset Transfer from Canopy Management

In January of 2017, Grown Rogue completed an asset transfer with Canopy Management, LLC ("**Canopy Management**"), a Wyoming limited liability company that controlled facilities that operated as an Oregon medical cannabis producer under the Oregon Medical Marijuana Act (OMMA). The acquisition with Canopy Management was a related party transaction given that, at the time of the transaction, Mr. J. Obie Strickler was the majority owner and sole manager of Canopy Management and the sole owner and manager of Grown Rogue. Under the terms of the asset transfer agreement (the "**Canopy Management Agreement**"), Grown Rogue acquired the assets and related equipment for the Manzanita Glenn and Trail's End facilities (as described below) and assumed the leases from Canopy Management. Canopy Management transferred title of assets which comprised approximately 50% of the assets of Canopy Management at that time, by contributing equipment in the amount of $144,379 as a capital contribution in Grown Rogue. Canopy Management had initially acquired the purchased assets for approximately US$125,000 in June 2016, which was the cost of development of the properties for cultivation. Grown Rogue has retrofitted and converted the former Canopy Management medicinal facilities into new licensed production facilities solely for the recreational market. The transaction resulted in an increase of Mr. Strickler's capital account in Grown Rogue. Of the 28,616,766 Resulting Issuer Shares issued to Mr. Strickler in connection with the Transaction, 21,153,058 can be attributed to the acquisition of assets from Canopy Management.

In addition, Canopy Management sold finished product inventory to GR Gardens on May 1, 2017 payable to Canopy Management in cash at when such inventory was processed and sold into the Oregon recreational market. The amount GR Gardens agreed to pay Canopy Management would be reflective of market prices of the product to retail locations (without additional margin for GR Gardens). All inventory previously owned by Canopy Management has been liquidated and the amount owed to Canopy Management was adjusted to reflect market price conditions at the time of sale by GR Gardens in the recreational market. Accordingly, the current adjusted amount owed to Canopy Management for the purchased inventory is US$180,799.

Cal-Green Transaction

On December 1, 2017, Grown Rogue entered into a technology license agreement (the "**Technology License Agreement**") with Cal-Green Farms Inc. ("**Cal-Green**"). Under the terms of the agreement, Cal-Green granted to Grown Rogue the exclusive license to certain intellectual property in the field of development, breeding, cultivation, growing, harvesting, processing and commercializing cannabis, hemp and related plants and products known as the "Progenix" technology (the "**Technology**"). In exchange for the Technology, immediately prior to the Transaction Grown Rogue issued 6,600,000 Common Units to Cal-Green which were distributed to the beneficial owners of Cal-Green on a pro-rata basis. This transaction was completed between arms-length parties.

3.3

(A) Significant Acquisitions and Dispositions of the Issuer

Summary of Transaction

On October 31, 2018, the Issuer, Grown Rogue, Grown Rogue Canada and Novicius AcquisitionCo entered into the Definitive Agreement which set out the terms for the reverse take-over of the Issuer by Grown Rogue. The principal parties to the Transaction are Grown Rogue, as reverse take-over acquirer, and the Issuer.

Grown Rogue Canada raised funds in connection with the Transaction by offering the Brokered Subscription Receipts and subsequently amalgamated with Novicius AcquisitionCo on the closing of the Transaction.

The closing of the Transaction, which included the transactions and financings described below, was completed on November 15, 2018. On the closing date of the Transaction, the Issuer acquired the business of Grown Rogue and the funds raised by Grown Rogue Canada.

GR Acquisition

In November of 2018, the securityholders of Grown Rogue entered into agreements with the Issuer whereby the Issuer acquired 100% of the total number of units, warrants and debentures of Grown Rogue (the "**GR Acquisition Agreements**"). Pursuant to the terms of the GR Acquisition Agreements, the unitholders of Grown Rogue agreed to exchange all of their Common Units for Resulting Issuer Shares so that, after the completion of such exchange, the Resulting Issuer became the owner of 100% of the total number of units of Grown Rogue (the "**GR Acquisition**"). As such, the GR Acquisition resulted in a total of 60,746,202 Common Units being exchanged for 60,746,202 Resulting Issuer Shares at a deemed price of $0.44 per share. Similarly, the holders of warrants and convertible debentures of Grown Rogue exchanged such securities for warrants and convertible debentures, with substantially the same terms, of the Resulting Issuer on a one for one basis. The GR Acquisition was conditional upon certain conditions being met including, but not limited to, the execution of the Definitive Agreement, the completion of the offering of Brokered Subscription Receipts and confirmation that all necessary approvals from the Exchange with respect to the Transaction had been granted. All the conditions precedent to the GR Acquisition were met and the transaction was completed on November 15, 2018, which resulted in the Resulting Issuer becoming the 100% owner of Grown Rogue.

Although the GR Acquisition resulted in Grown Rogue becoming a wholly-owned subsidiary of the Resulting Issuer, the GR Acquisition constituted a reverse take-over of the Resulting Issuer inasmuch as the former unitholders of Grown Rogue own a majority of the outstanding shares of the Resulting Issuer.

The completion of the acquisition of Grown Rogue constituted a fundamental change under the policies of the Exchange.

Non-Brokered Offering of Subscription Receipts by Grown Rogue

As part of the Transaction, Grown Rogue completed a non-brokered private placement of subscription receipts (the "**GRUS Subscription Receipts**") on August 14, September 6, September 11 and October 9, 2018 for gross proceeds of $1,659,250 with each GRUS Subscription Receipt being sold for $0.44. Under its terms, each GRUS Subscription Receipt is automatically converted and immediately cancelled, without any further action by the holder of such GRUS Subscription Receipt, and for no additional consideration, into one unit of Grown Rogue (the "**GR Units**") upon the satisfaction of the following conditions, among others: (a) Grown Rogue Canada shall have sold Brokered Subscription Receipts (as defined below) for not less than $2,490,000 in aggregate gross proceeds; (b) requisite shareholder and regulatory approvals of the Transaction including, but not limited to, conditional approval of the Exchange

for the listing of the Shares issuable in connection thereto; and (c) all documents and instruments have been tabled for the concurrent closing of the Transaction. Each GR Unit consists of one Common Unit and one Grown Rogue purchase warrant (the "**GR Warrants**"). Each GR Warrant is exercisable into one Common Unit of Grown Rogue at an exercise price of $0.55 per unit for 24 months.

The conditions set out above were satisfied on November 15, 2018 and the GRUS Subscription Receipts were converted into 3,771,023 Common Units and 3,771,023 GR Warrants. The Common Units and GR Warrants issued upon conversion of the GRUS Subscription Receipts were exchanged on a one for one basis for Resulting Issuer Shares and Resulting Issuer Warrants (as defined below), respectively, pursuant the GR Acquisition Agreements.

Pursuant to the terms of the subscription agreement governing the purchase and sale of GRUS Subscription Receipts, Grown Rogue held the proceeds to the offering of GRUS Subscription Receipts in escrow until such time the escrow release conditions were satisfied.

The offering of GRUS Subscription Receipts resulted in net proceeds of $1,601,176, after deducting the applicable Agent's Fee.

Offering of Convertible Debentures by Grown Rogue

As part of the Transaction, Grown Rogue completed a private placement of convertible debentures (the "**Debentures**") on August 14, 2018 for gross proceeds of $1,500,000. A rate of interest of 2% per quarter from the date of issuance of the Debentures is payable quarterly in arrears on the last day of March, June, September and December of each year. The Debentures mature 24 months from the date of issuance. The Debentures are convertible into Common Units of Grown Rogue at a price of $0.44 per unit and the Debentures are secured by a general security agreement granting a security interest in all of Grown Rogue's and its subsidiaries' property and assets.

The Debentures were exchanged for debentures of the Resulting Issuer, on substantially the same terms, upon the completion of the GR Acquisition (the "**Resulting Issuer Debentures**"). The principal amount outstanding together with any unpaid interest is convertible, in part or whole, into Resulting Issuer Shares, at the option of the debenture holders at the conversion price of $0.44 per share (the "**Conversion Price**"). If at any time the Resulting Issuer Debentures are outstanding, the Resulting Issuer issues securities at a price lower than the Conversion Price, then the Resulting Issuer will adjust the Conversion Price down to that same price.

As part of Grown Rogue's Debenture offering, Grown Rogue Canada offered GRC Warrants (as defined below) to the purchasers of the debentures at a purchase price of $0.0001 per warrant. The purchasers of the Debentures subscribed for 3,409,091 GRC Warrants (as defined below). The GRC Warrants (as defined below) were exchanged for Resulting Issuer Warrants (as defined below) pursuant to the Amalgamation. If at any time the Debentures are outstanding, the Resulting Issuer issues warrants at price lower than the exercise price of the Resulting Issuer Warrants (as defined below), then the Resulting Issuer will adjust the exercise price of the Resulting Issuer Warrant's held by the holders of the Debentures to that same exercise price.

The offering of Debentures resulted in net proceeds of $1,395,000, after deducting the applicable Agent's Fee.

The net proceeds of this financing were used by Grown Rogue for its Warehouse buildout, working capital purposes and preparation for its California expansion.

Offering of Option by Grown Rogue

On October 30, 2018, Grown Rogue issued an option for $649,079 to purchase 1,475,179 Common Units and warrants to purchase 1,675,179 Common Units for an exercise price of $0.55 per Common Unit. Immediately prior to the Transaction, the option was exercised and the underlying securities were exchanged for 1,475,179 Resulting Issuer Shares and 1,675,179 Resulting Issuer Warrants with an exercise price of $0.55 per share. The Resulting Issuer Warrants expire two years following the date of the Transaction, except their term is automatically extended an additional three years if the Resulting Issuer does not trade above $0.70 per share for 20 consecutive trading days during the initial two-year term. The Resulting Issuer has the right to accelerate the expiry date of the Resulting Issuer Warrants during the extended term if the Resulting Issuer Shares close at or above $0.70 per share for a period of twenty (20) consecutive trading days on the CSE. The Resulting Issuer is entitled to accelerate the expiry of the Resulting Issuer Warrants during the extended term to that date that is not less than 45 days from the date of delivery of a notice to the holder announcing the exercise of the acceleration right.

Brokered Offering of Subscription Receipts by Grown Rogue Canada

Grown Rogue Canada, a related entity of Grown Rogue, completed a brokered private placement of subscription receipts (the "**Brokered Subscription Receipts**") for $0.44 per Brokered Subscription Receipt on July 5, August 14, September 19 and October 30 2018 for gross proceeds of $2,725,323. Under its terms, each Brokered Subscription Receipt is automatically converted and immediately cancelled, without any further action by the holder of such Brokered Subscription Receipt, and for no additional consideration, into one unit of Grown Rogue Canada (the "**GRC Units**") upon the satisfaction of the following conditions, among others: (a) the completion of the GR Acquisition; (b) requisite shareholder and regulatory approvals of the Transaction including, but not limited to, conditional approval of the Exchange for the listing of the Shares issuable in connection thereto; and (c) all documents and instruments have been tabled for the concurrent closing of the Transaction (the "**Closing**"). The Brokered Subscription Receipts were issued pursuant to the terms of a subscription receipt agreement (the "**Subscription Receipt Agreement**") dated July 5, 2018 between Grown Rogue Canada, M Partners Inc., as lead agent, and Capital Transfer Agency, ULC (the "**Escrow Agent**"). Each GRC Unit consists of one share in the capital of Grown Rogue Canada (the "**GRC Shares**") and one Grown Rogue Canada common share purchase warrant (the "**GRC Warrants**"). Each GRC Warrant is exercisable into one GRC Share at an exercise price of $0.55 per GRC Share for 24 months.

The conditions set out above were satisfied on November 15, 2018 and the Brokered Subscription Receipts were converted into 6,193,917 GRC Shares and 6,193,917 GRC Warrants. The GRC Shares and GRC Warrants issued upon conversion of the Brokered Subscription Receipts were immediately exchanged, without additional consideration or action, for Resulting Issuer Shares and Resulting Issuer Warrants (as defined below), respectively, on Closing pursuant to the terms of the Amalgamation (see below). Each Resulting Issuer Warrant will be exercisable into one Resulting Issuer Share at an exercise price of $0.55 per Resulting Issuer Share for 24 months.

M Partners Inc. and PI Financial Corp. (the "**Agents**") offered the Brokered Subscription Receipts to prospective purchasers on a reasonable best efforts agency private placement basis and, in connection therewith, Grown Rogue Canada, Grown Rogue, Novicius and the

Agents entered into an agency agreement (the "**Agency Agreement**") pursuant to which the Agents received an aggregate cash commission equal to 7% of the gross proceeds of the offering, less a $10,000 work fee which has already been paid to the Agent, subject to certain exceptions mentioned below (the "**Agent's Fee**"). In addition, the Agents received on closing a number of broker warrants (the "**GRC Broker Warrant**" and together with the Agent's Fee, the "**Agent's Compensation**") equal to 7% of the number of Brokered Subscription Receipts issued under the offering subject to certain exceptions mentioned below. Each GRC Broker Warrant will entitle the holder thereof to subscribe, at the offering price of $0.44, for one GRC Unit for 24 months following the closing. Grown Rogue will submit to the Agent a president's list ("**President's List**") of purchasers sourced directly by Grown Rogue. The Agent received on closing an aggregate cash fee of 3.5% of the gross proceeds raised from investors on the President's List and a number of GRC Broker Warrants equal to 3.5% of the number of Subscription Receipts sold to investors on the President's List, in lieu of the Agent's Compensation.

Pursuant to the Agency Agreement, the Agents' also received an aggregate cash commission of 3.5% of the gross proceeds of the GRUS Subscription Receipts offering, and GRC Broker Warrants equal to 3.5% of the number of GRUS Subscription Receipts sold to investors. Pursuant to the Agency Agreement, the Agents' also received an aggregate cash commission of 7% of the gross proceeds of the offering of Debentures and GR Broker Warrants equal to 7% of the number of Common Units convertible under the Debentures.

The net proceeds from the offering of Brokered Subscription Receipts (together with accrued interest) was $2,585,667 after deducting the applicable Agent's Fee and expenses of the Agent and the Escrow Agent, and was released to Grown Rogue Canada upon satisfaction of the Escrow Release Conditions which occurred on November 15, 2018.

Amalgamation between Grown Rogue Canada and Novicius AcquisitionCo

Pursuant to the terms of the Definitive Agreement, the Resulting Issuer acquired all of the issued and outstanding shares of Grown Rogue Canada by way of a three cornered amalgamation, resulting in the formation of Amalco (the "**Amalgamation**"). As a result of the Amalgamation, all of the shares of Grown Rogue Canada (the "**GRC Shares**") and Novicius AcquisitionCo ("**Novicius AcquisitionCo Shares**") were exchanged into an equal amount of Resulting Issuer Shares. Out of 7,133,707 Resulting Issuer Shares issued under the Amalgamation: 6,193,917 shares were issued for the benefit of the purchasers of the Brokered Subscription Receipts, 839,790 shares were issued to Debt Conversion participants and 100,000 were issued for services to a director of Grown Rogue Canada. All Resulting Issuer Shares under the Amalgamation were issued at a deemed price of $0.44 per share. In consideration of the issue by the Resulting Issuer of the Resulting Issuer Shares to the former shareholders of Grown Rogue Canada, Amalco issued to the Resulting Issuer one common share of Amalco for each Resulting Issuer Share issued to the shareholders of Grown Rogue Canada. The Resulting Issuer also received one share of Amalco in exchange for each issued and outstanding share of Novicius AcquisitionCo held by the Resulting Issuer. As a result of the Amalgamation, Amalco became a wholly-owned subsidiary of the Resulting Issuer. The GRC Warrants were exchanged, without additional consideration or action, for the same number of common share purchase warrants of the Resulting Issuer (the "**Resulting Issuer Warrants**"). In addition, the GRC Broker Warrants were exchanged, without additional consideration or action, for the same number of broker warrants of the Resulting Issuer (the "**Resulting Issuer Broker Warrants**"). In addition, the Novicius AcquisitionCo Warrants were exchanged for the same number of Resulting Issuer Warrants. Each Resulting Issuer Warrant is exercisable into one Resulting Issuer Share at an exercise price of $0.55 per Resulting Issuer Share for 24

months. Each Resulting Issuer Broker Warrant is exercisable into one Resulting Issuer Share and one Resulting Issuer Warrant at an exercise price of $0.44 per unit for 24 months.

The completion of the Amalgamation as contemplated by the Definitive Agreement was subject to the conditional approval of the Exchange and all other necessary approvals. The completion of the Amalgamation was also subject to certain other additional conditions precedent, including, but not limited to: (i) the completion of the GR Acquisition; (ii) completion of satisfactory due diligence by each of the Issuer, Grown Rogue Canada and Grown Rogue; (iii) the approval of the Transaction by each of the parties' respective board of directors; (iv) the approval of the shareholders of Grown Rogue Canada; (v) completion of the offering of Brokered Subscription Receipts; (vi) approval from the Exchange to list the Resulting Issuer Shares; (vii) the absence of any material change or change in a material fact which might reasonably be expected to have a material adverse effect on the financial and operational conditions or the assets of each of the parties to the Definitive Agreement; and (viii) certain other conditions typical in a transaction of this nature.

Approval for the Amalgamation was obtained from each of Novicius AcquisitionCo and the Grown Rogue Canada Shareholders by way of a written resolution prior to the completion of the Amalgamation.

Significant Events Prior to the Transaction and Conditions Precedent

Prior to the closing of the Transaction:

(b) Grown Rogue Canada completed the private placement of Brokered Subscription Receipts for gross proceeds of $2,725,323.

(c) Grown Rogue completed a private placement of GRUS Subscription Receipts for gross proceeds of $1,659,250;

(d) Grown Rogue completed a private placement of an option exercisable for Common Units and purchase warrants for gross proceeds of $649,079;

(e) Grown Rogue completed a private placement of Debentures for gross proceeds of $1,500,000;

(f) Grown Rogue entered into a Technology License Agreement with Cal-Green pursuant to which Cal-Green granted to Grown Rogue license rights to the Technology. In exchange for the Technology, Grown Rogue issued 6,600,000 Common Units to Cal-Green which were subsequently distributed to the beneficial owners of Cal-Green on a pro-rata basis.

(g) In accordance with debt settlement agreements between the Issuer and certain of its creditors, the parties agreed to assign an aggregate of $369,508 in indebtedness owing to the Issuer to Novicius AcquisitionCo. The debt was subsequently converted (the "**Debt Conversion**") into 839,790 units of Novicius AcquisitionCo at $0.44 per unit (the "**Debt Conversion Units**"). Each Debt Conversion Unit was comprised of one common share of Novicius AcquisitionCo (a "**Debt Conversion Share**") and one Novicius AcquisitionCo purchase warrant ("**Novicius AcquisitionCo Warrants**"). Each Novicius AcquisitionCo Warrant is exercisable into one common share at an exercise price of $0.55 per share for 24 months. In accordance with the Definitive Agreement, the Debt Conversion Shares were exchanged for 839,790 Resulting Issuer Shares at the time of the

Amalgamation, and the 839,790 Novicius AcquisitionCo Warrants were exchanged, without additional consideration or action, for the same number of Resulting Issuer Warrants. 37.5% of the creditors were acting at non-arm's length to the Issuer at the time the debt settlement agreements were entered into.

The Transaction was subject to a number of approvals which were obtained, and conditions, which were met, prior to its implementation including, but not limited to the following:

(a) completion of satisfactory due diligence by each of the Issuer, Grown Rogue Canada and Grown Rogue;

(b) the approval of the Transaction by each of the parties' respective board of directors;

(c) the approval of the shareholders of Grown Rogue Canada;

(d) the written approval of the shareholders of Novicius in accordance with the policies of the Exchange;

(e) completion of the private placement of Brokered Subscription Receipts, GRUS Subscription Receipts and Debentures (as described above);

(f) completion of the Debt Conversion (as described above);

(g) completion of the Cal-Green Transaction (as described in Section 3.2);

(h) completion of the Consolidation;

(i) approval from the Exchange to list the Resulting Issuer Shares issued under the Transaction; and

(j) the absence of any material change or change in a material fact which might reasonably be expected to have a material adverse effect on the financial and operational conditions or the assets of each of the parties to the Definitive Agreement;

Share Allocation on Closing of the Transaction

On closing of the Transaction:

(a) The pre-Transaction holders of the Resulting Issuer Shares own 5.3% of the common shares of the Resulting Issuer (not including the Resulting Issuer Shares issued pursuant to the Debt Conversion);

(b) The former Grown Rogue unitholders own 84.9% of the common shares of the Resulting Issuer (inclusive of the purchasers of GRUS Subscription Receipts).

(c) The purchasers of the Brokered Subscription Receipts own 8.7% of the common shares of the Resulting Issuer.

(d) The participants in the Debt Conversion own 1.2% of the common shares of the Resulting Issuer.

3.4 Trends, Commitments, Events or Uncertainties

(A) the Resulting Issuer

The Resulting Issuer's operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Consequently, the Resulting Issuer's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

The Resulting Issuer is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. The Resulting Issuer has operating and risk management strategies to help minimize these operating risks and uncertainties. In addition, the Resulting Issuer has controls and governance procedures including a code of business ethics and whistle blowing procedures (see 17 – Risk Factors).

(B) Grown Rogue

Grown Rogue (through its subsidiaries) has direct involvement in the cultivation and distribution of marijuana in the United States. Grown Rogue and its subsidiaries are primarily involved in the U.S. marijuana industry as a seed to retail company with operations currently in Oregon (a state that has legalized recreational marijuana). Currently Grown Rogue through its subsidiaries produces recreational marijuana and distributes it to dispensaries throughout Oregon.

Producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a federal crime in the United States. The United States federal government regulates drugs through the Controlled Substances Act (the "**Federal CSA**"), which places controlled substances, including cannabis, on one of five schedules. Cannabis is currently classified as a Schedule I controlled substance, which is viewed as having a high potential for abuse and having no currently accepted medical use in treatment in the United States. No prescriptions may be written for Schedule I substances, and such substances are subject to production quotas imposed by the United States Drug Enforcement Administration (the "**DEA**"). Schedule I drugs are the most tightly restricted category of drugs under the Federal CSA.

State and territorial laws that allow the use of medical cannabis or legalize cannabis for adult recreational use are in conflict with the Federal CSA, which makes cannabis use and possession illegal at the federal level. Because cannabis is a Schedule I controlled substance, however, the development of a legal cannabis industry under the laws of these states is in conflict with the Federal CSA, which makes cannabis use and possession illegal on a national level. Additionally, the Supremacy Clause of the United States Constitution establishes that the Constitution, federal laws made pursuant to the Constitution, and treaties made under the Constitution's authority constitute the supreme law of the land. The Supremacy Clause provides that state courts are bound by the supreme law; in case of conflict between federal and state law, including Oregon and other state law legalizing certain cannabis uses, the federal law must be applied.

Until Congress amends the Federal CSA with respect to marijuana use, there is a risk that federal authorities may enforce current federal law against companies such as Grown Rogue for violation of federal law or they may seek to bring an action or actions against Grown Rogue and/or its investors for violation of federal law or otherwise, including, but not limited to, a claim against investors for aiding and abetting another's criminal activities. The US federal aiding and abetting statute provides that anyone who commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal.

Additionally, even if the U.S. federal government does not prove a violation of the Federal CSA, the U.S. federal government may seize, through civil asset forfeiture proceedings, certain assets such as equipment, real estate, moneys and proceeds, or your assets as an investor in the Resulting Issuer, if the U.S. federal government can prove a substantial connection between these assets or your investment and marijuana distribution or cultivation.

Because many states in the United States have approved certain medical or recreational uses of cannabis, the U.S. Department of Justice, through a memorandum dated August 29, 2013 and titled "Guidance Regarding Marijuana Enforcement" (the "**Cole Memorandum**"), had previously described a set of priorities for federal prosecutors operating in states that had legalized the medical or other adult use of cannabis. The Cole Memorandum represented a significant shift in U.S. federal government priorities away from strict enforcement of federal cannabis prohibition.

However, the Cole Memorandum was merely a directive regarding enforcement and did not overturn or invalidate the Federal CSA or any other federal law or regulation.

The Cole Memorandum was rescinded in January 2018 by Jeff Sessions, the U.S. Attorney General, who deemed it "unnecessary". This is based on Mr. Sessions' belief as stated in the Cole Memorandum that each state's federal prosecutor should "follow the well-established principles that govern all federal prosecutions. These principles require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community." The rescission of the Cole Memorandum, and comments made publicly by Mr. Sessions and other members of the Trump Administration, signal a significant shift by the U.S. federal government back to more strict enforcement of federal law.

In Oregon, Billy J. Williams is the United States Attorney for the District of Oregon. He is a former Multnomah County (Oregon) Deputy District Attorney, who handled major violent crimes and later served as a Chief of the Violent Crimes Unit and as the Indian Country AUSA/Tribal Liaison for the Department of Justice prior to being appointed the federal prosecutor for Oregon.

On January 4, 2018, Mr. Williams provided the below statement on marijuana enforcement in the District of Oregon: "As noted by Attorney General Sessions, today's memo on marijuana enforcement directs all U.S. Attorneys to use the reasoned exercise of discretion when pursuing prosecutions related to marijuana crimes. We will continue working with our federal, state, local and tribal law enforcement partners to pursue shared public safety objectives, with an emphasis on stemming the overproduction of marijuana and the diversion of marijuana out of state, dismantling criminal organizations and thwarting violent crime in our communities."

In an editorial published on January 12, 2018, Mr. Williams wrote: "In sum, I have significant concerns about the state's current regulatory framework and the resources allocated to policing marijuana in Oregon."

At a meeting on February 2, 2018, Mr. Williams told Oregon's top politicians and law enforcement officials that there's more cannabis being produced in the state than can legally be consumed. "And make no mistake about it, we're going to do something," Williams told dozens of politicians, tribal leaders, sheriffs as well as representatives of the FBI and the U.S. Drug Enforcement Administration. "Here's what I know, in terms of the landscape here in Oregon: We have an identifiable and formidable marijuana over-production and diversion problem,"

Williams said. “That’s the fact. My responsibly is to work with our state partners to do something about it.”

Because marijuana is illegal under U.S. federal law, investing in cannabis business could be found to violate the Federal CSA. As a result, individuals involved with cannabis business, including but not limited to investors and lenders, may be indicted under U.S. federal law. Your investment in the Resulting Issuer may: (a) expose you personally to criminal liability under U.S. federal law, resulting in monetary fines and jail time; and (b) expose any real and personal property used in connection with Grown Rogue’s business to seizure and forfeiture to the U.S. federal government.

Active enforcement of the current federal law on cannabis may thus directly and adversely affect revenues and profits of Grown Rogue. The risk of strict enforcement of the Federal CSA remains uncertain.

U.S. Federal Laws Applicable to Banking

Because producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a crime under the Federal CSA, most U.S. banks and other financial institutions are unwilling to provide banking services to marijuana businesses due to concerns about criminal liability under the Federal CSA as well as concerns related to federal money laundering rules under the U.S. Bank Secrecy Act. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses.

Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. In both Canada and the United States transactions by cannabis businesses involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Though guidelines issued in past years allow financial institutions to provide bank accounts to certain cannabis businesses, few U.S. banks have taken advantage of those guidelines and many U. S. cannabis businesses still operate on an all-cash basis.

Oregon State Regulation

The Oregon Medical Marijuana Program (“**OMMP**”) is a state registry program within the Public Health Division, Oregon Health Authority (“**OHA**”). The role of the OHA is to administer the Oregon Medical Marijuana Act. The OMMP allows individuals with a medical history of one or more qualifying illnesses and a doctor’s written statement to apply for registration with the OMMP. Qualified applicants are issued a medical marijuana card that entitles them to legally possess and cultivate cannabis, subject to certain limitations.

On November 4, 2014, Oregon voters passed Measure 91, known as the Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act (the “**Act**”), effectively ending the state’s prohibition of recreational marijuana and legalizing the possession, use, and cultivation of marijuana within legal limits by adults 21 years and older. The Act did not amend or effect the Oregon Medical Marijuana Act and the OMMP. The Act empowered the Oregon Liquor Control Commission (“**OLCC**”) with regulating sales of recreational marijuana in Oregon.

Under current Oregon law, possession and home cultivation by adults at least 21 years old is allowed within legal limits. Public sales of marijuana and marijuana products may be done only

through licensed retailers. The OLCC has the authority to decide how many licenses to allow in a specific area or location and may refuse granting a license if there are reasonable grounds to believe there are sufficient licenses in the area or if the granting of a license is not demanded by public interest or convenience. The OLCC may disqualify applicants for a number of reasons, including for lacking a good moral character, for lacking sufficient financial resources or responsibility, for relevant past convictions, and for using marijuana, alcohol, or drugs "to excess."

Grown Rogue has a comprehensive compliance program administered through its Director of Compliance, which tracks all aspects of operations through the METRC program (an online software tool mandated through the State of Oregon that tracks seed to retail purchases), as well as compliance with all state and federal employment and other safety regulations.

Grown Rogue is periodically advised by various outside attorneys about the requirements for compliance with Oregon law.

Grown Rogue is in compliance with Oregon state law and its related licensing framework.

California State Regulation

As part of its business plan, Grown Rogue intends to enter the California market by the end of 2018. See Section 4.4 – *General Description of the Business – Grown Rogue* for further details.

In 1996, California voters passed a medical marijuana law allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result of the system. In September of 2015, the California legislature passed three bills, collectively known as the "Medical Marijuana Regulation and Safety Act" ("**MCRSA**"). In 2016, California voters passed "The Adult Use of Marijuana Act" ("**AUMA**"), which legalized adult-use cannabis for adults 21 years of age and older and created a licensing system for commercial cannabis businesses. On June 27, 2017, Governor Brown signed SB-94 into law. SB-94 combines California's medicinal and adult-use cannabis regulatory frameworks into one licensing structure under the Medicinal and Adult-Use of Cannabis Regulation and Safety Act ("**MAUCRSA**").

Pursuant to MAUCRSA: (1) the California Department of Food and Agriculture, via CalCannabis, issues licenses to cannabis cultivators: (2) the California Department of Public Health, via the Manufactured Cannabis Safety Branch (the "**MCSB**"), issues licenses to cannabis manufacturers and (3) the California Department of Consumer Affairs, via the Bureau of Cannabis Control (the "**BCC**"), issues licenses to cannabis distributors, testing laboratories, retailers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California's cannabis landscape, including the statewide track and trace system.

To operate legally under state law, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining state licensure, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. There are also no residency requirements for ownership under MAUCRSA.

California has implemented a robust regulatory system designed to ensure, monitor, and enforce compliance with all aspects of a cannabis operator's licensed operations. Compliance with local law is a prerequisite to obtaining and maintaining state licensure, and all three state regulatory agencies require confirmation from the locality that the operator is operating in compliance with local requirements and was granted authorization to continue or commence commercial cannabis operations within the locality's jurisdiction.

License types are designated into two classes: Type M (medical) or Type A (adult use). There are 20 types of licenses, and a single entity may possess both Type M and Type A licenses, across six different categories:

- Cultivation Facility: license to cultivate, process and package cannabis; and to sell cannabis to cannabis distributors, but not to consumers.
- Distributor: license to purchase cannabis from cultivators, manufacturers and other distributors; to store cannabis; to have cannabis tested by a testing facility; to sell cannabis to other distributors and to retailers; and to transport cannabis from a cannabis licensee's premises to another cannabis licensee's premises.
- Product Manufacturing Facility: license to purchase cannabis from distributors; to manufacture, process, and package cannabis and cannabis products; and to sell cannabis and cannabis products to distributors but not to consumers. Pursuant to this category, cannabis products include edibles, ointments, tinctures, oils and other concentrates.
- Testing Laboratory: license to test cannabis and cannabis products for potency and contaminants.
- Retailer: license to purchase cannabis and cannabis products from distributors, as well as to sell cannabis and cannabis products directly to consumers.
- Microbusiness: license to cultivate cannabis on an area less than 10,000 square feet; to purchase cannabis from cultivators, manufacturers and distributors; to store cannabis; to have cannabis tested by a testing facility; to sell cannabis to retailers and distributors; to transport cannabis from one cannabis licensee's premises to another; to manufacture, process and package cannabis and cannabis products; and to sell cannabis and cannabis products directly to consumers.

The MAUCRSA permits vertical integration by licensees to hold licenses in more than two separate licensing categories. Licensees must conduct their commercial cannabis activity within a single-premises, which must be contiguous. Although multiple premises are allowed on a given parcel, each premises must be sufficiently separate from any other premises, i.e., having separate entrances and exits and no shared common areas. Importantly, licensees may not sublet any portion of their licensed premises, and therefore, a licensee cannot lease a multi-unit building and sublease one of the units to an affiliated licensee.

Only businesses engaged in "commercial cannabis activity" are required to have a license – ancillary services, technology, and know-how are not included unless their interests in the licensee amount to "ownership" or a "financial interest."

Under MAUCRSA, an "owner" no longer distinguishes between public and private companies. An owner is: (1) anyone with an aggregate ownership interest of 20% or more in the applicant, unless the interest is solely a security, lien, or encumbrance, (2) the chief executive officer of a non-profit or other entity, (3) a member of the board of directors for a non-profit, or (4) an individual participating in the direction, control, or management of the applicant. Each owner of the entity applying for a cannabis license is required to submit fingerprint images and

background checks. Such fingerprinting requirement extends to shareholders holding 5% or more of the equity of the applicant's public company owner.

Under California state law, all state licensed cannabis businesses are entitled to rely on certain transition provisions until December 6, 2018. These provisions were included to ease the transition of businesses into the new regulatory regime introduced on January 1, 2018 in California. The transition provisions grandfathered the sale of certain products compliantly produced prior to January 1, 2018, and, among other things, also allow state licensees to transact with other state licensees regardless of the parties' Type M (medical) or Type A (adult use) license.

Retail cannabis businesses must pay tax on gross receipts (i.e., all revenues in whatever form and before any deductions whatsoever). A cannabis tax return is required whether or not taxes are owed during the month. Failure to submit timely tax returns and payments result in a penalty equal to 25% of the amount of the tax in addition to the amount of the tax, plus interest on the unpaid tax calculated from the original due date.

Zoning and Land Use Requirements

Applicants are required to comply with all local zoning and land use requirements and provide written authorization from the property owner where the commercial cannabis operations are proposed to take place, which must dictate that the applicant has the property owner's authorization to engage in the specific state-sanctioned commercial cannabis activities proposed to occur on the premises.

Record-Keeping and Continuous Reporting Requirements

California's state license application process additionally requires comprehensive criminal history, regulatory history, financial and personal disclosures, coupled with stringent monitoring and continuous reporting requirements designed to ensure only good actors are granted licenses and that licensees continue to operate in compliance with the State regulatory program.

Operating Procedure Requirements

Applicants must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the State's seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

Site-Visits & Inspections

All licencees will not be able to obtain or maintain state licensure, and thus engage in commercial cannabis activities in the state of California without satisfying and maintaining compliance with state and local law. As a condition of state licensure, operators must consent to random and unannounced inspections of the commercial cannabis facility as well as all of the facility's books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections, and the state has already commenced site-visits and compliance inspections for operators who have received state temporary or annual licensure.

There are significant risks associated with the business of the Resulting Issuer, as described above and in Section 17 – *Risk Factors*. Readers are strongly encouraged to carefully read all of the risk factors contained in Section 17 – *Risk Factors*.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 General Description of the Business

(A) Resulting Issuer

The business of the Resulting Issuer is the same business of Grown Rogue.

Through the Resulting Issuer's wholly owned Ontario subsidiary, DoubleTap Daily Inc., (formerly: Digital Widget Factory Inc.) the Resulting Issuer has developed an online content management and advertising platform that powers user and advertising engagement programs in real-time to desktop, mobile and portable devices (http://doubletap.co).

The digital media marketplace is crowded and competitive and although DoubleTap's web presence was growing, its management was unable to sustain or build revenues that exceeded its expenditures. Giving effect to the Transaction, a new management team will manage the operations of the Resulting Issuer. The Resulting Issuer intends to divest of DoubleTap Daily Inc. and its business in the open market.

(B) Grown Rogue

General

Grown Rogue, an Oregon cannabis company, through its wholly owned subsidiary, GR Gardens, operates three cultivation facilities that currently service the Oregon recreational marijuana market: Manzanita Glen, Trail's End, and the Medford Warehouse Project (the "**Warehouse**"). Grown Rogue is expanding its facilities, adding retail locations, and plans to enter the California market as a fully integrated cannabis company.

Grown Rogue, through its subsidiaries, GR Gardens and GR Distribution, currently holds four licenses (three producer licenses and one wholesale license) to do business in the Oregon recreational marijuana market. Generally, there are four types of marijuana businesses regulated by the Oregon Liquor Control Commission ("**OLCC**"). "Marijuana producers" cultivate marijuana for wholesale. "Marijuana processors" produce marijuana extracts and products. "Marijuana wholesalers" may purchase marijuana and marijuana products to sell to marijuana retailers and other non-consumers. Lastly, "marijuana retailers" are allowed to sell marijuana

- Marijuana Producers can apply for two different license types under the OLLC regulatory structure. A Tier I license allows for up to a maximum of 5,000 square feet of indoor and 20,000 square feet of outdoor flowering canopy. A Tier II license allows for a maximum of 10,000 square feet of indoor and 40,000 square feet of outdoor flowering canopy. The differential between outdoor and indoor is if you use artificial lights during the flowering cycle it is considered indoor under the rules. Marijuana producers can sell their products directly to marijuana processors, Marijuana wholesalers or Marijuana retailers.
- Marijuana Processors all operate under a single license. This license type includes both volatile and non-volatile extraction, mechanical (i.e. bubble hash or rosin press), and edible products. For each product contemplated by a processor, they must file for specific certificates in order to be legally allowed to

produce the products. Marijuana processors can sell their products directly to marijuana wholesalers and marijuana retailers. Marijuana processors can also sell to other marijuana processor for additional processing but not for direct resale. Marijuana processors cannot sell their products to Marijuana Producers.

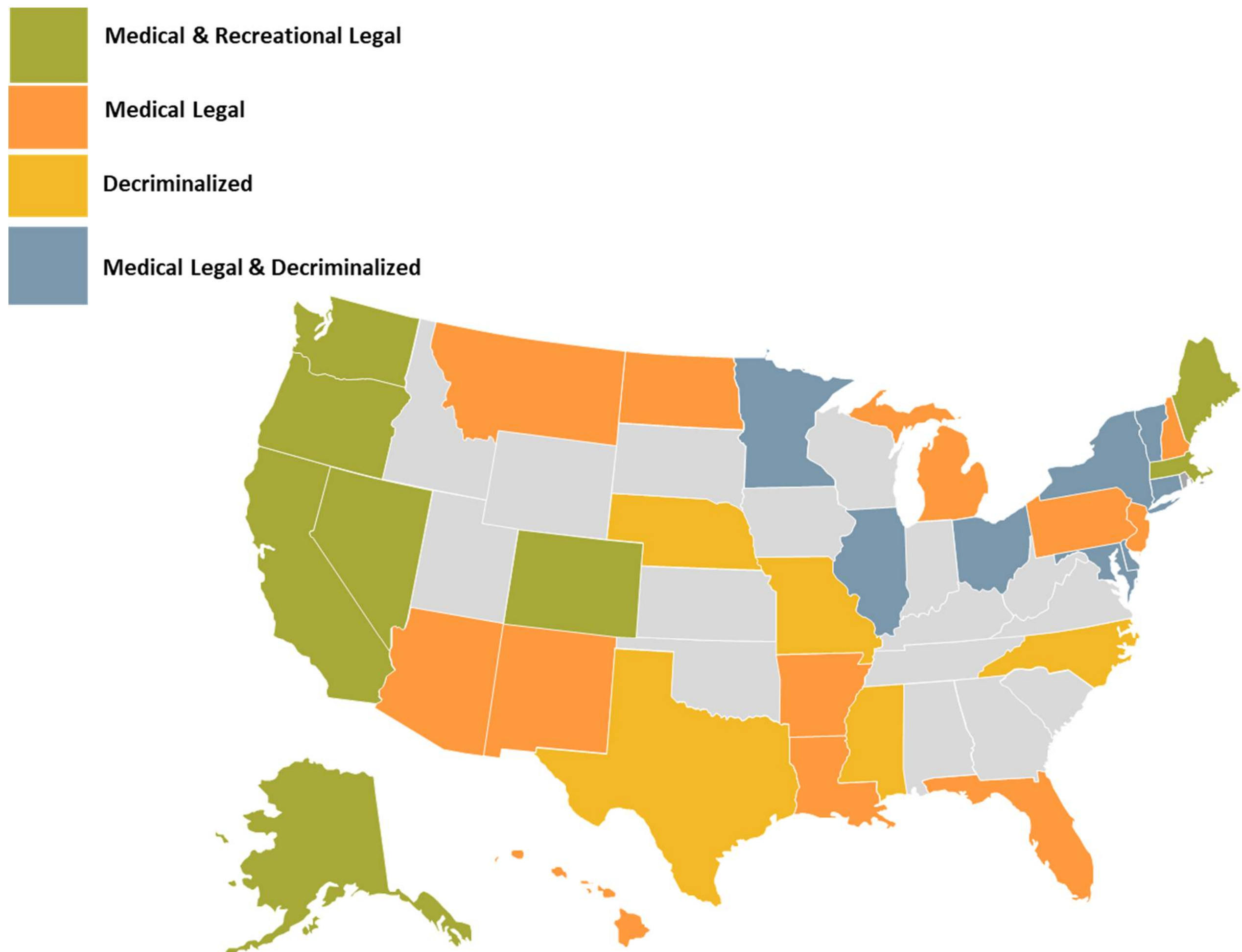
- Marijuana Wholesalers are responsible for supply chain logistics and are generally responsible for taking the product from the manufacturer and getting it to a marijuana processor for extraction or marijuana retailer for direct sale to the customer. Marijuana wholesalers can sell products to other marijuana wholesalers, marijuana processors, or marijuana retailers. Marijuana wholesalers cannot sell their products to marijuana producers but are allowed to return marijuana to marijuana producers from which the marijuana wholesaler originally purchased the product from.
- Marijuana retailers provide the storefront for retailer customers. Marijuana retailers are only allowed to sell to a customer who is over 21 with valid identification. Marijuana retailers cannot sell products to any other license type. Limited delivery options are available for marijuana retailers as long as they have license approval and stay within the jurisdiction of their license when doing the deliverand related items to individuals 21 years and older.

GR Gardens currently holds three producer licenses for the three properties described above (and has submitted an additional application for a producer license to the OLCC that is pending), and GR Distribution holds one wholesaler license. GR Distribution and GR Gardens jointly hold the producer license and the wholesale license at the Warehouse as the licenses are co-located in the same facility. GR Distribution and GR Gardens have also applied for a processor license for the Warehouse. Grown Rogue, through one or more of its subsidiaries, intends to acquire one or more Oregon retail licenses in the future.

Grown Rogue's capital has been historically provided by private individual investors (individual and groups) that meet the definition of "Accredited Investors" as defined by U.S. and State securities law.

Because of Grown Rogue's involvement in the cannabis business, Grown Rogue is currently unable to have its securities listed for trading on the New York Stock Exchange, Nasdaq or other significant U.S. trading exchanges or platforms. This inability to list its securities on such U.S. trading exchanges or platforms essentially limits Grown Rogue's capital raising in the U.S. to private placements that are exempt from registration under U.S. and State securities laws.

Existing US Cannabis Market



The current trend of cannabis legalization in the United States has resulted in a significant opportunity. 54% of the U.S. population now lives in a state where marijuana has been legalized. The U.S. cannabis industry is projected to reach US$20.8 billion by year 2021 in consumer spending which is expected to generate an overall economic impact (based primarily on purchases by consumers and indirect revenue for growers and various subcontractors as well as money spent with businesses not affiliated with the sector, such as supermarkets) of $39.6 billion, 414,000 jobs and US$4 billion in tax receipts [Source: Report from Arcview Market Research and BDS Analytics, January 2018].

Production

GR Gardens is responsible for production of recreational marijuana using outdoor, greenhouse, and indoor production methodologies. GR Gardens holds three Tier II producer licenses from the OLCC. "Manzanita Glen", an outdoor cultivation property leased in Josephine County, Oregon from its sister company, GRU Properties, LLC ("**GRU Properties**"), has 40,000 square feet of canopy. "Trail's End", an outdoor cultivation property leased from its sister company, GRU Properties in Jackson County, Oregon has 40,000 square feet of canopy. The Medford Warehouse project, an indoor cultivation property leased from its sister company, GRU Properties is designed to have 10,000 square feet of canopy when fully constructed. The Warehouse is also the location of GR Distribution, the wholesale division of Grown Rogue and will also house the processing centre for all Grown Rogue Oregon products. The Warehouse is

currently 70% constructed with full construction of the Warehouse scheduled to be completed by the end of 2018. The two outdoor projects are anticipated to provide 3,000 lbs combined of cannabis annually and the Warehouse project is estimated to produce 2,500 lbs annually when fully completed.

Grown Rogue is located in the famed Emerald Triangle, which is well-known for the quality of its marijuana. With both indoor and outdoor operations, Grown Rogue is able to produce the high quality indoor flower through controlled atmosphere environment (CAE) operations. By carefully controlling temperature, humidity, C02 levels and other criteria, Grown Rogue is able to provide year-round supply of high quality marijuana flower with multiple harvests per month.

With its location in Southern Oregon, Grown Rogue is also able to capitalize on an ideal outdoor growing environment where it can produce high quality, low cost marijuana to serve as feed stock for the other products Grown Rogue offers (vape cartridges, concentrates, pre-rolls, and edibles). Grown Rogue is able to produce this feed stock at 3 to 4 times cheaper than indoor production costs and is thus able to establish competitive market prices.

As part of Grown Rogue's plan to expand and diversify, Grown Rogue is currently considering three different models for adding capacity. The first option is to acquire and construct additional capacity on a separate property that has been identified in Jackson County, Oregon that is the location of a currently operating pear orchard ("**The Farm**").

The Farm property is a 100+ acre pear orchard property with significant infrastructure and priority water rights, with a total licensable canopy of approximately 280,000 sq feet. The Farm is anticipated to be acquired through an owner carry arrangement for Grown Rogue to purchase the property in five years. Grown Rogue, through its subsidiary GR Gardens, has already submitted a Tier II producer license application to the OLCC for 40,000 sq feet of canopy and upon completion of the acquisition. Grown Rogue would retrofit the existing warehouse facility on The Farm for commercial indoor cultivation, construct outdoor cultivation, and begin construction of greenhouses in early 2019 using light deprivation methodologies. Grown Rogue believes The Farm would provide Grown Rogue with significant additional cultivation capacity to meet growing demand for Grown Rogue products for the foreseeable future.

The second option is to implement a contract management model with existing licensed cultivators where Grown Rogue would provide specific genetics and cultivation expertise to the licensed operator to ensure the quality of products. This option would be implemented for the 2019 outdoor season but would likely be limited to only greenhouse or outdoor production as there is limited indoor production where Grown Rogue is located to provide proper management and oversight. This solution, while reducing the capital expense required under The Farm option, would likely result in a higher price for end product from the farmer.

The third option would be to source available product on the wholesale markets. This option results in limited capital or operational expense risk but would likely result in less secure consistency in supply and higher purchasing costs then Grown Rogue could achieve with the other options described above.

GR Gardens anticipates securing a processing license in 2018 that would allow it to produce its own derivative products, with expected decreases in costs and greater assurance of consistency of production. The extraction lab will be constructed at the Warehouse.

Grown Rogue, through one or more of its subsidiaries, also anticipates securing retail establishments in Oregon through strategic partnerships or acquisitions to fulfill the vertical

integration strategy of Grown Rogue and to help ensure quality and consistency in the supply chain.

Grown Rogue executives and technical staff have significant cannabis cultivation experience that includes extensive knowledge of indoor, outdoor, and greenhouse growing conditions required to optimize productivity; financial; sales; marketing; and branding. With the necessary specialized skill sets of the management team coupled with the large agricultural work force present in Oregon, Grown Rogue believes that all of the necessary skill and labor is available to execute upon its strategy in Oregon.

Grown Rogue plans to expand its business into California, currently the largest cannabis market in the United States with an anticipated market of over US$7.7 billion by 2021 [Source: Report from Arcview Market Research and BDS Analytics, April 2018]. Grown Rogue has signed a letter of intent for a joint venture facility in northern California to position Grown Rogue in the largest production area in the United States. The terms of the joint venture include a 60% ownership of the joint venture entity by Grown Rogue, free rent of an existing 14,000 square foot former chip manufacturing and packaging plant for 24 months, with conditional approval by the local municipality for a micro-tier business that includes distribution, production, and manufacturing. Grown Rogue intends to use this facility as its sourcing center for production materials that it will then sell to other distribution companies and for direct sale to retail dispensaries through an in-house sales team. The joint venture will be formed through GRD Cali, LLC, a California company. Grown Rogue's focus in California is to start with distribution, move into extraction (manufacturing), and ultimately retail. Grown Rogue believes California will ultimately see similar price compression as other recreational states and therefore does not anticipate constructing or operating cultivation facilities in California for several years. Grown Rogue does not currently hold any licenses to operate its business in California, and intends to obtain such required licenses prior to entering the California market.

In June 2017 the California State Legislature passed Senate Bill NO. 94 known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) which combined the previous medical and adult use regulation in the state. There are four agencies that regulate marijuana in the state the Bureau of Cannabis Control (BCC), California Department of Food and Agriculture, California Department of Public Health, and California Department of Tax and Fee Administration. California state and local licenses are renewed annually and require submittal of a renewal application to the BCC. There is no ultimate expiry of licenses in California and if the requisite fees are paid, the renewal is submitted in a timely manner, and there are no material violations on record against the license holder renewal would be approved in the ordinary course of business.

Product

The products Grown Rogue produces include a variety of flower products (indicas, sativas, and hybrids), both high CBD and THC strains, pre-rolls, vape cartridges, and other derivative products to establish a more diverse and full service opportunity for its dispensary customers. Grown Rogue has a suite of "core" strains that represent the primary product line that consumers can rely upon every time they arrive at their local dispensary. In addition to the "core" product offerings, Grown Rogue also intends to provide seasonal strains for both indoor and outdoor product. Grown Rogue believes this variety will appeal to the consumer by offering a diverse product with competitive market pricing.

FLOWER PRE-ROLLS CARTRIDGES CONCENTRATES

Grown Rogue believes that it is establishing a unique approach in the current cannabis industry market place by bringing a large variety of unique strains. This variety allows Grown Rogue to meet the various demands of the consumer as well as provide a complete suite of strain specific products from the original seed to final derivative products. This allows each customer to select their own preferred consumption method and still enjoy Grown Rogue products.

Grown Rogue pre-rolls are produced only from flower (no trim) and are packaged in a patent pending nitrogen sealed glass tube to ensure only the freshest products for the customer.

The vape cartridges are a combination of both pure CO2 oil extraction, which provides the best in flavor, and distillate. The distillate is carefully flavored with specific terpene ratios to enhance the flavors and experience for the customer. Grown Rogue uses only the best hardware from reputable suppliers to ensure limited malfunction of its products.

Grown Rogue produces a wide array of concentrate products, including shatter, wax, live resin, and snap and pull. Only the best input material is utilized in their concentrates resulting in the highest quality products

Grown Rogue sources all of its equipment and materials from vendors it believes to be reliable from both cannabis centric companies (i.e. hydroponic grow stores) and conventional agriculture solutions. Pricing is generally lower than retail pricing as Grown Rogue sources the majority of their supplies directly from the manufacturer.

Genetics

Grown Rogue contracted with a geneticist to provide proprietary genetic lines into the Grown Rogue portfolio. Through the implementation of this robust breeding and phenotype selection program, Grown Rogue is focused on identifying and capturing the specific genetic traits that consumers are requesting. The end goal of this work is to have patented proprietary strains that Grown Rogue can license as well as work toward establishing stable seed that can be used in Grown Rogue production.

All of Grown Rogue genetics are rigorously tested to establish the genetic makeup of each strain in its portfolio.

Distribution and Sales

Grown Rogue distributes product through its wholly owned subsidiary, GR Distribution, doing business as Rogue Distribution, which works directly with Oregon dispensaries to provide quality, consistency, and product variety year-round. Grown Rogue's sales team works directly with dispensary owners and intake managers to provide consistent product, competitive prices, and service using sales techniques from other industries such as pharmaceutical and liquor. Rogue Distribution has also developed relationships with many existing brands and provides exclusive distribution services for those brands in the State of Oregon and first rights for distribution in other states that Grown Rogue enters as part of a broader product offering. This allows Grown Rogue to rapidly expand its brand presence in new states by providing the nexus for the best brands in the states Grown Rogue works to enter. Currently, Grown Rogue only intends to expand to California. Grown Rogue receives commissions for distributing these products ranging from 15% to 30%. This allows Grown Rogue to increase its product offerings for dispensaries and simplify their purchasing process by reducing the number of vendors that each dispensary needs to work with.

By way of example, Grown Rogue has developed end user product marketing collateral and other educational information regarding Grown Rogue products as part of all sales with dispensaries that include strain type, testing results, information on the product and specific company and other necessary information to clearly articulate the product being provided. Each product is uniquely packaged all while maintaining brand consistency across the product suite.

Grown Rogue works with dispensary owners to develop promotional opportunities for the retail customers and bud tenders. This is structured in the form of providing select "rare" strains, clothing, or other items that are provided to certain customers based on their loyalty and/or purchasing volume. Grown Rogue provides detailed tutorials to the staff and owners of the dispensaries around the product and how it is grown, processed, cured, packaged and other items so that they are intimately familiar with our process. Grown Rogue also provides expense paid trips for dispensary owners and operators to Grown Rogue's operating facilities so they can see first-hand the methods and processes used to create the product.

Grown Rogue believes it is the first in the Oregon cannabis market to offer dedicated purchase plans that provide a fixed number of guaranteed products over a three, six, or twelve-month timeline. These plans are intended to provide Grown Rogue with established contractual cash flow and the dispensary partners with guaranteed high-quality products.

Grown Rogue's wholly owned subsidiary, GR Distribution (dba Rogue Distribution), has partnered with 365 Cannabis, powered by Microsoft Dynamics, which is the leading "seed to sale" enterprise resource planning (ERP) solution in the industry. This ERP system provides sophistication, scalability, and security of a fully compliant cannabis business and Point-of-Sale (POS) systems to their dispensary partners and customers. This system allows Grown Rogue to provide real time inventory analysis both internally and with dispensaries allowing for immediate re-ordering of Grown Rogue products simplifying the supply chain logistics in the cannabis markets.

Grown Rogue has entered into a sales agreement with Zing, an established digital transaction company that has received approval from the necessary banking regulations to provide digital money transfer services for cannabis transactions. Grown Rogue receives a percentage of the fees collected by Zing through the digital platform. The solution uses a mobile app that requires customers to download and dispensaries to place the technology at their point of sale. This technology could eliminate the cash component of consumer purchases in dispensaries which is a significant challenge for the cannabis industry both from a convenience and safety issue.

Grown Rogue will be piloting this technology in the remainder of 2018 and, depending on results, could be rolling out the technology platform to all of its dispensary customers in 2019.

Branding

Building a cannabis brand is by far one of the most critical aspects to a successful company in the sector. Currently, almost all cannabis brands are focused on one of two aspects:

- The flower and/or quality of the flower.
- The effect, mostly focused on impact of the product.

The above two components largely appeals to the current cannabis consumer, or legacy cannabis user, who uses cannabis mostly for the experience it creates. This experienced user determines the best product based on the potency of the product.

While Grown Rogue prides itself on the highest quality flower, its brand aims to penetrate into broader, mainstream markets through a promise of the "Right Experience." The Grown Rogue brand is focused on "The Right Experience, Every Time"™ that it believes accomplishes several key objectives:

1. Addresses the negative stigma attached to cannabis at both a cultural and regulatory level.

2. Establishes the company's core values and purpose.

3. Forecasts the company's trajectory and market positioning.

Everyday experiences like running, reading a book, sharing a beverage with friends, or creative writing can be enhanced with the right strain of cannabis properly ingested at the right dosage. Grown Rogue is deeply focused on providing the "Right Experience" and thus aims to provide intelligence and education around the various strains, genetic disposition, and the key product characteristics from profile testing. The education Grown Rogue provides through digital channels develops best practices and community as the company strives to eliminate the "dark mystery" historically associated with cannabis. Grown Rogue attempts to provide the market with detailed knowledge on the plant. For the interested party who is less concerned with the science, Grown Rogue offers a branding strategy around experience based on an acronym on the letters in the word ROGUE. Each of the letters represents an experience curation. Rather than simply state that X strain will create Y effect, the company's visual and demonstrative marketing assets showcase "experience" by category. The five Grown Rogue categories of experience are:

RELAX
OPTIMIZE
GROOVE
UPLIFT
ENERGIZE

Within these categories is a range of cannabis strains that help to enhance certain types of experiences.

BRANDING IS A KEY METRIC TO SUCCESS

"Soon cannabis and derivative products will go from mostly being defined by the literal description of the product to being described by origin, quality, and experiences…"

-Eight Capital Analyst Daniel Pearlstein

GROWN ROGUE BRANDING:

- Focus on community
- Focus on quality of life
- Focus on experience

The brand strategy is to showcase the non-active cannabis user in everyday situations and present cannabis as an enhancement to activities and experiences the individual already engages in. As Cannabis becomes more mainstream, the early adopter will associate Grown Rogue with messaging and photography that resonates. The focus today is on the Oregon culture and Grown Rogue will evolve the messaging based on geographical lifestyle of areas where the company expands. Grown Rogue establishes visuals that are specific to each market they operate in which results in different imagery for, for example, the Portland, Oregon market vs the Los Angeles, California market. By doing this, Grown Rogue believes that its branding and visuals resonate with the consumers in each individual markets focused on the primary activities for those areas.

The defensibility for this approach is based on science and market research. The three primary influencers in the cannabis plant are potency (THC and CBD level), genetic makeup (sativa vs indica), and Terpenes. The DNA of the plant coupled with the test results of the strain provides significant and compelling reason to position a specific strain in a specific category. Grown Rogue takes a further step by using an online mobile experience sampling tool that records well-being to capture key data points on how the strain affects the individual both physically and mentally. Grown Rogue's future plan is to encourage use of this tool by offering discounts on Grown Rogue products and turn this data collection into a sales/marketing tool. The brand is based on experience and is delivering the Right Experience with specific cannabis products.

Grown Rogue is developing scientifically defensible product classifications for all of its products around the ROGUE Study. The ROGUE Study is a comprehensive consumer experience survey that queries select information from cannabis consumers regarding the experiences they have when consuming cannabis products. This method employs both quantitative and qualitative analysis. Every product Grown Rogue produces is analyzed by 3rd party labs to determine THC and CBD potency, ratios of CBD to THC, the total and individual level of terpenes, and the genetic makeup of the input strain. This information is compiled and analyzed by the ROGUE science team and proprietary algorithms are created that allow Grown Rogue to place the products into the five different categories. In addition, Grown Rogue has created a consumer survey that allows Grown Rogue customers to complete a simple survey both before and after consumption that describes the experience the consumer had while consuming Grown Rogue (or other company's) products. This survey is being led by a PhD psychologist to ensure all of the information collected is based on scientific defensibility. Grown Rogue has already collected 1,000s of surveys on its products and intends to continue focusing on this critical

information to better understand the experience consumers have while consuming Grown Rogue products allowing the company to more accurately place products into the correct categories.

In June 2018, Grown Rogue launched GRAM, its second brand into the Oregon market (after its first brand “Grown Rogue”). GRAM is focused on providing the highest quality products at the most competitive prices. GRAM currently is focusing on pre-rolls and shatter.

Marketing and Advertising

Grown Rogue’s marketing channels include a comprehensive, fully responsive (mobile) interactive website. The website has been search engine optimized (SEO) and includes call to action (CTA) popup boxes that request contact information in exchange for promotional items, such as hats, beanies, and t-shirts, and other similar products.

Grown Rogue is focused on providing education to the large majority of new and existing consumers. This education will be focused on providing blogs and articles that highlight important topics and information to further enhance the public’s understanding of the myriad of uses and benefits of cannabis.

Digital advertising will be included, primarily on industry sites and alternative news sources if regulations loosen, on sites such as Leafly, Oregon Cannabis Connection, Northwest Leaf, Oregon Leaf, Dope Magazine, Portland Mercury, and Willamette Weekly.

Grown Rogue has established a social media presence that includes Facebook, Twitter, Instagram, and Snapchat. Grown Rogue’s social identity will be defined by delivering fresh content and keeping interaction with followers/fans prompt and positive. Grown Rogue intends to attract existing cannabis industry participants as well as people not familiar with the industry by creating a positive, inclusive environment where dialogue is encouraged. The goal is to change existing stereotypes and overcome the stigmas associated with the cannabis industry.

Trademarks and Patents

Grown Rogue actively seeks to protect its brand and intellectual property. Grown Rogue currently has four different trademarks that have been submitted.

- Jager was filed on September 29, 2017 and requires a submittal of use to be filed by October 10, 2018.
- Grown Rogue was filed on September 22, 2017, with the Statement of Use filed on May 21, 2018 and is awaiting the registration certificate.
- The Right Experience Every Time was filed on September 29, 2017 with the Statement of Use filed on May 21, 2018 and is awaiting the registration certificate.
- Sizzleberry was filed on September 29, 2017 with the Statement of use filed on May 21, 2018 and is awaiting the registration certificate.

Grown Rogue filed a patent for its nitrogen sealed glass containers on February 15, 2018. This patent application, No: 15/897,906 is pending review by the United States Patent Office.

Oregon Market and Competition

The Oregon cannabis market is generally divided between the Oregon Medical Marijuana market (governed by the Oregon Health Authority) and the Oregon recreational marijuana

market (governed by the OLCC). Grown Rogue does not sell to the Oregon medical marijuana market (as it is anticipated this market will be subsumed by the recreational market in the future).

In the first year of Oregon recreational sales, the Oregon Department of Revenue reported US$240 million in recreational sales to end users (generating tax revenues for the State of Oregon of US$60.2 million) and posted US$520 million in sales in 2017 [Source: Portland Business Journal, February 2018]. This amount is expected to triple by 2019, reaching $800 million, as estimates predict that over 25% of Oregonians are marijuana consumers (one of the highest concentration in the United States). [Source: Brightfield Group, https://www.brightfieldgroup.com/post/ranking-of-best-places-for-cannabis-investment-2-oregon]. In addition, it is estimated that Oregon consumers use marijuana at a quantity higher than most other states as well. [Source: Marijuana Report from the Oregon Health Authority, January 2016].

The State of Oregon does not cap the number of licences that it will issue, so the competition in the state is varied. As of November 20, 2017 there were 3,115 applications filed with the OLCC. Of these, 1,626 were active licenses, including: 21 laboratories, 136 processors, 859 producers, 514 retailers, and 96 wholesalers. Although there are a wide variety of smaller competitors in the Oregon recreational market, Grown Rogue attempts to differentiate itself by its significant focus on brand identify and product diversity, proven cultivation expertise, quality of product produced, innovation in the integrated business platform, educational opportunities and significant professional experience of its leadership team.

Oregon has seen significant price compression on cannabis product offerings since the legalization of cannabis. However, this price compression has resulted in more consumers purchasing products as flower sales in Oregon are up 1,500% in 2018 as compared to 2017. (Source: Frontier Financial Group, Inc., dba New Frontier Data)

In June 2018, the OLCC stopped accepting new licence applications to allow the state to finish processing the existing licenses already submitted. This should reduce, at least temporarily, the amount of new licenses coming into the market which may help stabilize the supply/demand metrics in Oregon.

Social and Environmental Policies

Grown Rogue employs sustainable business models in all of its operations. On the cultivation side, Grown Rogue maintains the highest standards of environmental stewardship. This includes sustainable water sources with reclamation and recapture as much as possible from runoff and recycling of dehumidification water. Grown Rogue uses only natural and organic products in all of their applications from nutrients to integrated pest management. Grown Rogue has obtained the “Clean Green” certification for its use of sustainable, natural, and organically based practices, which is generally considered to be the highest level of sustainable cannabis practices in the US. These are standard industry best practices that have little to no impact on capital expenditures.

Grown Rogue hires and pays living wage to all of its employees and is very involved in each of the communities where it operates, for example recently donating a portion of profits to disaster relief as a result of hurricane devastation in the U.S.

Other Operations

Grown Rogue's wholly owned subsidiary, GRU Properties, is the leasing and project development arm of Grown Rouge. GRU Properties currently leases 3 separate facilities and was responsible for construction and development of all three. All three leases are at comparable market rates and rent is paid in cash. J. Obie Strickler, President and CEO of the Resulting Issuer, is the landlord on one of the leases, the terms of which are described in Section 13.7 – *Conflicts of Interest*. The lease with M. Strickler is a related party transaction given that Mr. Strickler is the landlord and a director and officer of the Resulting Issuer. GRU Properties subleases all of its leased and developed properties back to its sister companies (GR Gardens and GR Distribution). The real estate model in the cannabis industry is very attractive and GRU Properties has been constructed in order to provide this type of service as a stand-alone business model if necessary. In the future, GRU Properties plans to utilize its expertise in design and build of commercial cannabis facilities with the goal of leasing these fully constructed and operational facilities to entities that are not associated with Grown Rogue.

GR Distribution is responsible for all company sales of both internal products as well as purchase and white labeling of other industry products. GR Distribution leases space in the Warehouse. GR Distribution currently services primarily GR Gardens as its exclusive distributor. This relationship is critical to the overall success of Grown Rogue's vertical integration as it provides the opportunity to put all of Grown Rogues products under one roof. All cultivation flower from GR Gardens, is transported from two separately licensed facilities using refrigerated trucks to GR Distribution's warehouse facility to allow for centralized drying, curing, trimming, storage, and security. Grown Rogue believes that these economy of scale savings allows Grown Rogue to be one of the lowest cost cannabis operators in Oregon.

Grown Rogue's intellectual property subsidiary, GRIP, LLC ("**GRIP**") has been in operation since late 2016. GRIP focuses on all branding and marketing, genetic research, cultivation analytics, and intellectual property protection. GRIP's brand (Grown Rogue) is licensed to Grown Rogue and its other subsidiaries. GRIP will continue developing new brands and ideas to be licensed to Grown Rogue or other cannabis based companies in the territories that Grown Rogue targets for expansion.

GRIP has also implemented a genetics program to continue the goal of providing the best possible products from the original seed selection. Grown Rogue brought numerous proprietary products to market in 2017 and is developing a more robust and comprehensive breeding program to combine and stabilize certain genetic traits of interest for the product portfolio. As part of the asset purchase from Canopy Management, Grown Rogue acquired the rights to a proprietary analytics program that is focused on determining the specific environmental characteristics that are required to cultivate the best cannabis. Similar to wine, each cannabis strain requires certain conditions to thrive. Evaluating and analyzing natural outdoor conditions like temperature, humidity, elevation, soil type, light levels, and other site specific characteristics will allow GRIP to identify specific strains that should be grown in certain regions.

GR Gardens and GR Distribution have also recently submitted to the OLCC an application of a processor license that will facilitate creating its own derivative products in house. This is the third step in Grown Rogue's vertical integration model.

Grown Rogue anticipates establishing its retail presence inside of Oregon by the end of 2018.

Grown Rogue has signed a letter of intent with an international award-winning chocolatier to bring its first edible to the market. The terms of the joint venture include a 60% ownership of the joint venture entity by Grown Rogue which will contract with Rogue Distribution to provide

distribution services for all of the products. The joint venture will be formed through Idalia LLC, an Oregon limited liability company. Grown Rogue intends to launch the first chocolate bar under the GRAM brand with the highest quality and lowest cost chocolate currently in the Oregon market. Grown Rogue anticipates that this GRAM chocolate will be available in the Oregon market in late 2018.

Grown Rogue is also working to develop a luxury edible product line that will fall under the Grown Rogue brand that will include additional products than just chocolate bars. These products are currently under R&D and market research with expected launch at end of 2018 or early 2019.

Grown Rogue has signed a Letter of Intent with a group of companies in Oregon that include an OLCC licensed retailer, distribution company, and seed farm as well as an existing hydroponic supply store. In addition, Grown Rogue is in discussion with several other licensed cannabis companies in Oregon across the supply chain. Grown Rogue intends to leverage its brand presence and relationships to rapidly increase its presence in the Oregon market.

Employees

As of August 1, 2018, Grown Rogue and its subsidiaries had 41 employees. The employees are generally distributed among the following departments:

- Cultivation – 10
- Security – 1
- Distribution – 12
- Packaging – 6
- Administrative – 2
- Finance & Accounting – 2
- Human Resources – 1
- Marketing – 2
- Compliance – 1
- Executive Operations – 4

Grown Rogue is committed to the following:

- Providing equal employment opportunities to all employees and applicants. This includes but, is not limited to, recruiting, hiring, promotions, benefits, compensation, training and other terms and conditions of employment
- Ensuring a work environment that is free of harassment and discrimination.
- Complying with all regulation and laws protecting individuals with qualified disabilities that extends to all employees, independent contractors, volunteers or any individual who provides services or interacts with Grown Rogue whether paid or unpaid.

Grown Rogue is committed to the above without regards to race, ethnicity, religion, color, sex, gender, gender identity or expression, sexual orientation, national origin, ancestry, citizenship status, uniform service member and veteran status, marital status, pregnancy, age (except as relates to laws restricting individuals under the age of 21 working in marijuana industry), protected medical condition, genetic information, disability, or any other protected status in accordance with all applicable federal, state, and provincial and local laws.

Grown is also committed to health and safety of all of its employees and contractors. Grown Rogue takes all reasonable steps to ensure safe working conditions and to ensure all staff are properly trained and knowledgeable to perform their duties in a safe and orderly manner for themselves and their colleagues.

Objectives, Milestones, Available Funds and Principle Purposes

Objectives

Over the next 12 months, the Resulting Issuer will continue its objective of:

- building its premier Seed to Experience brand;
- fulfilling its vertical integration strategy by acquiring retail dispensaries in Oregon; and
- completing its expansion into the California market.

Milestones and Costs

Building the Seed to Experience Brand

The Seed to Experience branding will be built through continued focus on digital media and advertisement, social presence and search engine optimization, continuing development of the ROGUE Study, and increasing the number of events at retail locations allowing for direct access to the consumer. The company currently controls premier advertising space in a number of industry magazines and will continue to increase its presence over the next 12 months by adding to the number of advertising campaigns. The Resulting Issuer anticipates doubling the budget for this category to $20,000/month. Social media and website presence will increase through better content and high resolution photography by increasing spend in this category to $8,000/month. The Resulting Issuer will be hiring a ROGUE Study manager in the next 3 to 6 months to focus on increasing outreach and participants in this program with goal of achieving 10,000 participants by end of 2019 with a budget of $6,000/monthly. Dispensary events provide one of the best options for connecting with the consumer and educating them on the Grown Rogue brand. Currently Grown Rogue completes 10 to 15 events monthly at a cost of $200/event and plans on increasing this frequency to 25 to 30 events monthly at $400 an event with an increased focus providing branded materials in the form of hats, shirts, stickers, and other useful materials to further the brand penetration. Resulting Issuer has allocated $500,000 for marketing and branding efforts over the next 12 months with ultimate success measured by market share increase in the target markets. For further details see Section 4.4 – *General Description of the Business – Grown Rogue – Branding* and Section 4.4 – *General Description of the Business – Grown Rogue – Marketing and Advertising.*

Vertical Integration Strategy

The Resulting Issuer anticipates securing 4 to 6 retail licenses over the next 12 months in Oregon through strategic partnerships and/or acquisition of existing retail licensed facilities at an estimated aggregate cost of $1,800,000. These retail dispensaries will be strategically located across the state to further the Resulting Issuer's goal of creating a wide geographic footprint for its brand's presence. To meet the objective of controlling 6 retail locations, Grown Rogue is targeting 2 acquisitions per quarter, which is expected to cost approximately $300,000 per quarter. The first two acquisitions are expected to be completed by the end of 2018.

California Expansion

The Resulting Issuer expects to enter the California prior to the end of 2018. The Resulting Issuer is targeting first sales in Q4 in 2018 with anticipated growth in 2019 as demand and awareness for the Grown Rogue brand increases. The Resulting Issuer's entry into California is focused on establishing brand and distribution channels in this state. Through a partnership in the Town of Eureka, the Resulting Issuer has secured a rent free, 14,000 square foot building for 2 years which will minimize acquisition and operational costs. The expected cost for the entry into California is approximately $500,000 and the Resulting Issuer's primary expenses in California for the next 12 months will be focused on personnel, logistics, and product purchasing to facilitate the development of the distribution component of the business.

Available Funds and Principal Purposes

As of October 31, 2018, the estimated working capital deficiency of the Resulting Issuer was $(920,087) and has $4,835,922 available from net proceeds raised under the offering of Brokered Subscription Receipts ($2,585,667), Grown Rogue Options ($649,079) and GRUS Subscription Receipts ($1,601,176). The Resulting Issuer intends to use its available funds over the next 12 months as described in the table below. However, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds of the private placements may be necessary. The actual amount spent in connection with each of the intended uses of proceeds may vary significantly from the amounts specified below, and will depend on a number of factors, including those referred to under "Risk Factors". However, it is anticipated that the available funds will be sufficient to satisfy the Resulting Issuer's objectives over the next 12 months.

Resulting Issuer – Working Capital	$265,835
Resulting Issuer – Acquisitions / Licensing	$1,800,000
Grown Rogue – California Expansion	$500,000
Grown Rogue – Marketing / Branding – Building the Seed to Experience Brand	$550,000
Resulting Issuer – Transaction closing costs	$800,000
Total Available Funds	$3,915,835

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Annual Information

(A) *Issuer*

The following financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and is stated in Canadian Dollars.

SELECTED ANNUAL INFORMATION-CONTINUING OPERATIONS

	For the Years Ended August 31		
	2017 $	**2016 $**	**2015 $**

Revenue	20,788	-	53,055
Net income (loss) from continuing operations	(2,097,738)	(13,534,298)	3,325,649
Income (loss) per share from continuing operations, basic	(0.788)	(6.516)	12.006
Income (loss) per share from continuing operations, diluted	(0.788)	(6.516)	8.855
Assets	42,047	482,582	93,115

August 31, 2017 – 2016

For the year ended August 31, 2017, net loss from continuing operations was $2,097,738 compared to a net loss from continuing operations of $13,534,298 for year ended August 31, 2016. The decrease in net loss during 2017, was primarily related to a loss on settlement of debt of $Nil compared to $12,489,249 in fiscal 2016. The loss on settlement of debt during fiscal 2016 was primarily attributed to the issuance of 1,032,998 units in the capital of the Issuer at fair value pursuant to the anti-dilution provisions of the August 30, 2014, debt conversion agreements and the issuance of 954,311 common shares of the Issuer at fair value as settlement of loans and interest due in the amount of $1,262,453. In addition during fiscal 2017, the Issuer experienced an increase in stock based compensation of $1,234,074 to $1,849,998 versus stock based compensation expense of $615,924 during fiscal 2016. The increase in stock based compensation expenses is largely related to increase in allotments, changes in share prices and assumptions used in the fair value calculation of stock options. During fiscal 2017, prior obligations of the Issuer's former defunct subsidiary Dyami Energy, LLC ("Dyami Energy") expired and the Issuer recorded a gain on de-recognition of financial liabilities in the amount of $893,990. Also in the current period the Issuer recorded a loss on marketable securities of $Nil versus $120,125 for the same twelve month period in fiscal 2016. During fiscal 2017, the Issuer recorded an impairment loss of $81,483 on a secured note receivable compared to $Nil in the prior fiscal period in 2016.

August 31, 2016 – 2015

Net loss from continuing operations for the year ended August 31, 2016 was $13,534,298 compared to a net income from continuing operations of $3,325,649 for year ended August 31, 2015. The increase in net loss during 2016, was primarily related to an increase in loss on settlement of debt of $12,489,249 compared to $Nil in fiscal 2015 and an increase in stock based compensation of $503,231 to $615,924 versus stock based compensation expense of $112,693 during fiscal 2015. The increase in stock based compensation during fiscal 2016 was related to stock options granted to a director of the Issuer. Loss on settlement of debt during fiscal 2016 was, was primarily attributed to the issuance of 1,032,998 units in the capital of the Issuer at fair value pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements and the issuance of 954,311 common shares of the Issuer at fair value as settlement of loans and interest due in the amount of $1,262,453. The Issuer also experienced increases in research, content development and technology support of $160,519 compared to $Nil in 2015 and increases in hosting, advertising and technology services of $45,272 compared to $Nil in fiscal 2015.

August 31, 2015 – 2014

Net income from continuing operations for the year ended August 31, 2015 was $3,325,649 compared to a net loss from continuing operations of $5,405,678 for the year ended August 31, 2014. The increase in net income for fiscal 2015 was attributed to a gain on derivative liabilities of $2,653,591 compared to a loss of $2,735,476 for fiscal 2014, a gain on disposition of subsidiary of $615,881 compared to $Nil in 2014, and a gain on settlement of litigation of

$120,125 versus $Nil for the same twelve month period ending August 30, 2014. During fiscal 2015, the Issuer's general and administrative expenses were significantly lower by $314,418 to $89,007 compared to $403,425 for fiscal 2014. The lower general and administrative expenses for 2015, was primarily attributed to the forgiveness of management fees of $306,250 by the former President. For the year ended August 31, 2015, the Issuer recorded a loss on settlement of debt of $Nil versus a loss on settlement of debt in the amount of $1,335,935 for the same period in 2014.

(B) *Grown Rogue*

The following financial information has been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("**IASB**") and is stated in United States dollars.

SELECTED ANNUAL INFORMATION-CONTINUING OPERATIONS

For the Period from October 31, 2016 to October 31, 2017	
Revenue	$156,066
Net income (loss) from continuing operations	$(302,397)
Income (loss) per Common Unit from continuing operations, basic	$(43.20)
Income (loss) per Common Unit from continuing operations, diluted	$(43.20)
Assets	$2,914,491

October 31, 2016 to October 31, 2017

Grown Rogue's net loss from operations amounted to $138,854 for the period from October 31, 2016 to October 31, 2017. While operating expenses incurred during the period were $1,128,772, Grown Rogue had gross profit of $989,918 as a result of unrealized gains on changes in the fair value of its biological assets. These unrealized gains represent the increase in the fair value (less costs to sell) of Grown Rogue's cannabis plants that are in various stages of growth. Also contributing to the gross profit was revenue of cannabis in the amount of $156,066 which includes sales for the months of July to October 2017. Prior to July 2017, Grown Rogue did not yet have inventory to sell. With the addition of interest expense of $163,543 incurred on its promissory and convertible notes, Grown Rogue's total net loss for the period from October 31, 2016 to October 31, 2017 was $302,397.

5.2 Quarterly Information

(A) *Issuer*

SUMMARY OF QUARTERLY RESULTS-

The following tables reflect the summary of quarterly results for the periods set out.

	2018	**2018**	**2017**	**2017**
For the quarter ending	**May 31**	**February 28**	**November 30**	**August 31**
Net loss for the period	$(127,398)	$(93,406)	$(127,578)	$(1,199,755)
Loss per share, basic and diluted	$(0.024)	$(0.018)	$(0.024)	$(0.447)

During the quarter ended May 31, 2018, the Issuer incurred stock based compensation expense of $34,086. For the three months ended February 28, 2018 and November 30, 2017, the Issuer recorded stock based compensation expense of $51,128, respectively. During the quarter ended August 31, 2017, the Issuer recorded stock based compensation expense of $1,698,901, a gain on de-recognition of financial liabilities of $893,990 and anti-dilution fees of $178,650.

	2017	2017	2016	2016
For the quarter ending	**May 31**	**February 28**	**November 30**	**August 31**
Net loss for the period	$(198,521)	$(81,215)	$(618,247)	$(153,579)
Loss per share, basic and diluted	$(0.075)	$(0.031)	$(0.233)	$(0.060)

During the quarter ended May 31, 2017, the Issuer incurred general and administrative expenditures of $119,830. During the quarter ended February 28, 2017, the Issuer recorded research, content development and technology support costs of $63,641. During the quarter ended November 30, 2016, the Issuer recorded anti-dilution fees of $104,727. During the quarter ended August 31, 2016, the Issuer reversed a previously recorded gain on de-recognition financial liabilities for prior obligations of Dyami Energy in the amount of $893,990.

(B) *Grown Rogue*

The following tables reflect the summary of quarterly results for the periods set out and is stated in United States dollars.

SUMMARY OF QUARTERLY RESULTS-

	2018	2018	2018	2017
For the quarter ending	**July 31**	**April 30**	**January 31**	**October 31**
Revenue	$679,906	$291,026	$170,960	$145,222
Net income (loss) for the period	$(1,460,380)	$(2,146,869)	$(1,390,627)	$95,476
Income (Loss) per unit, basic and diluted	$(134.81)	$(229.22)	$(184.83)	$(34.89)

	2017	2017	2017
For the quarter ending	**July 31**	**April 30**	**January 31**
Revenue	$10,844	$Nil	$Nil
Net income (loss) for the period	$(153,629)	$(244,244)	$Nil
Income (Loss) per unit, basic and diluted	$(21.94)	$(34.89)	$Nil

During the quarter ended July 31, 2018, Grown Rogue incurred finance charge expenses of $871,230 which represents the estimated fair value of unit purchase options granted. During the three month period ended July 31, 2018, Grown Rogue incurred a gain on de-recognition of a derivative liability of $11,500, a loss on disposal of property and equipment of $9,103 and unit-based compensation of $1,049,595 related to 1,500 common units issued to two service providers.

5.3 Dividends

The Issuer has not paid dividends in the past. The Resulting Issuer has no present intention of paying dividends. Future dividends, if any, will be determined by the Board of Directors of the Resulting Issuer on the basis of earnings, financial requirements and other conditions existing at the time.

5.4 Foreign GAAP

Not applicable. Neither the Issuer's nor Grown Rogue's financial statements are prepared using foreign GAAP.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

(A) Issuer

The Issuer's Management's Discussion and Analysis for the annual financial periods ended August 31, 2017, 2016 and 2015 and for the three month financial periods ended on May 31, 2018, February 28, 2018 and November 30, 2017 (collectively, the "**Novicius MD&As**") provide an analysis of the Issuer's financial results for such periods. The Novicius MD&As are included in this Listing Statement in Appendix "B". The Issuer's MD&As should be read in conjunction with the unaudited financial statements of the Issuer for the three-month periods ended May 31, 2018, February 28, 2018 and November 30, 2017 (and the notes thereto) and the audited financial statements of the Issuer for the years ended August 31, 2017, 2016 and 2015 (and the notes thereto), which are included in this Listing Statement in Appendix "A".

(B) Grown Rogue

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Grown Rogue constitutes the review by the management of Grown Rogue of the factors that affected Grown Rogue's financial and operating performance for the period from October 31, 2016 to October 31, 2017 and the three and nine month periods ended July 31, 2018. The MD&A for the period from October 31, 2016 to October 31, 2017 and the three and nine month periods ended July 31, 2018 should be read in conjunction with the audited consolidated financial statements ("**Financial Statements**") of Grown Rogue for the period from October 31, 2016 to October 31, 2017, and the unaudited condensed consolidated interim financial statements for the three and nine months ended July 31, 2018 ("**Interim Financial Statements**"), including the notes thereto. Unless otherwise stated, all amounts discussed herein are denominated in United States dollars. The Financial Statements and Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as described in Note 2 to the Financial Statements and Interim Financial Statements. Information regarding the accounting policies used in the preparation of the Financial Statements and Interim Financial Statements is set out in Note 3 to the Financial Statements and Interim Financial Statements.

Grown Rogue was formed on October 31, 2016, with the mission to become a fully integrated, seed to sale cannabis brand delivering the highest quality, most consistent product to cannabis users in the state of Oregon. Grown Rogue utilizes indoor and outdoor growing facilities in the Rogue Valley of Southern Oregon to take advantage of the unique microclimates inherent to, each of the various farm locations that helps create varied flavor and product profiles while retaining the unique core characteristics consumers desire.

Results of Operations

During the period from October 31, 2016 to October 31, 2017, Grown Rogue had a net loss from operations of $302,397. Revenue for the period amounted to $156,066 and was the result of product sales during the months of July through October 2017. As this was the first year of operations, Grown Rogue did not have inventory on hand for purposes of sale until July 2017. While the cost of sales related to this revenue was $151,663, Grown Rogue recorded an unrealized gain on changes in fair value of biological assets of $985,515, and a recovery to cost of sales of $833,852, net of the unrealized gain on changes in fair value of biological assets, resulting in a gross profit of $989,918. This fair market adjustment relates to increasing the fair value (less costs to sell) of the marijuana crops in various stages of growth prior to harvest and any further processing required to produce inventory available for sale. The valuation of Grown Rogue's biological assets, and the resulting fair market adjustment, includes several estimates made by management based on inputs that, by their nature, are unobservable as at July31, 2018. These include the average harvest yield, average selling prices, standard costs to bring the plants to harvest, as well as the stage of growth. Changes in these estimates could result in changes to the fair value of the biological assets, as well as the unrealized gain on changes in the fair value of these biological assets. During the year ended October 31, 2017, Grown Rogue's total operating expenses totalled $1,128,772. Approximately 47% ($534,898) of the total expenses consisted of professional fees that includes legal, consulting, accounting and financial management expenses. Wages, salaries and other payroll expense accounted for $200,274 of the total expenses for the year while rent and other facilities expenses totalled $123,703, and marketing expense amounted to $90,673. The remaining $179,224 of expense related to various expenses such as asset amortization, travel, business licenses and fees, utilities, insurance and other miscellaneous expenses. Grown Rogue also incurred interest expenses of $163,543 that were not included in operating expenses. As the year ended October 31, 2017 was the first complete fiscal year of Grown Rogue, comparative information for the prior fiscal year does not exist.

During the nine month periods ended July 31, 2018 and July 31, 2017, Grown Rogue had net losses from operations of $4,997,876 and $397,873 respectively. Revenue for the nine month period ended July 31, 2018 amounted to $1,141,892 and was the result of sales during the period of 374 kilograms of cannabis. While the cost of sales related to this revenue during the nine months ended July 31, 2018 was $1,192,391, Grown Rogue recorded an unrealized gain on changes in fair value of biological assets of $467,796, resulting in a negative gross profit of $50,499. These fair market adjustments relate to increasing the fair value (less costs to sell) of the marijuana crops in various stages of growth prior to harvest and any further processing required to produce inventory available for sale as well as recognizing the costs associated with prior period fair market adjustments for crops that had yet to be harvested in a prior financial reporting period. As noted previously, Grown Rogue did not have inventory on hand for purposes of sale until July 2017. As such, Grown Rogue had limited sales of $10,844 and cost of sales of $11,475 during the nine month period ended July 31, 2017. During the nine month period ended July 31, 2018, Grown Rogue's total expenses totalled $3,296,285. Approximately 32% ($1,049,595) of the total expenses related to unit-based compensation which represents the estimated fair value of 1,500 common units issued to two service providers. In addition, 18% ($579,831) of the total expenses consisted of professional fees that includes legal, consulting, accounting and financial management expenses. Wages, salaries and other payroll expense accounted for $531,626 of the total expenses for the nine month period while amortization of property and equipment expenses totalled $323,141, rent and other facilities expenses totalled $165,484, and marketing and promotions expense amounted to $234,433. Grown Rogue also incurred interest accretion on its convertible debt of $109,990 during the nine months ended July 31, 2018. The remaining $302,185 of expense related to various expenses such travel,

business licenses and fees, utilities, insurance and other miscellaneous expenses. Grown Rogue also incurred interest expenses of $782,259 and finance charge expenses of $871,230 that were not included in operating expenses. Total expenses for the nine months ended July 31, 2017 were $395,356 and were mainly comprised of professional fees of $142,735, wages, salaries and other payroll expenses of $115,177, rent and other facilities expenses of $60,400 and marketing expenses of $30,642. The remaining expenses of $46,402 relate to various expenses such travel, business licenses and fees, utilities, insurance and other miscellaneous expenses. The difference in expenses between the two nine month periods ended July 31, 2018 and 2017 are due to the fact that Grown Rogue was still in the start-up phase of its operations during the period ended July 31, 2017.

During the three month periods ended July 31, 2018 and July 31, 2017, Grown Rogue had net losses from operations of $1,460,380 and $153,629 respectively. Revenue for the three month period ended July 31, 2018 amounted to $679,906 and was the result of sales during the period of 147 kilograms of cannabis. While the cost of sales related to this revenue during the three months ended July 31, 2018 was $330,229, Grown Rogue recorded an unrealized gain on changes in fair value of biological assets of $374,801, resulting in a gross profit of $349,677. These fair market adjustments relate to increasing the fair value (less costs to sell) of the marijuana crops in various stages of growth prior to harvest and any further processing required to produce inventory available for sale as well as recognizing the costs associated with prior period fair market adjustments for crops that had yet to be harvested in a prior financial reporting period. As noted previously, Grown Rogue did not have inventory on hand for purposes of sale until July 2017. As such, Grown Rogue had limited sales of $10,844 and cost of sales of $11,475 during the three month period ended July 31, 2017. During the three month period ended July 31, 2018, Grown Rogue's total expenses totalled $749,187. Approximately 28% ($211,794) of the total expenses consisted of wages, salaries and other payroll expenses, while marketing and promotion expenses accounted for approximately 19% ($142,364) of total expenses. Professional fees that includes legal, consulting, accounting and financial management expenses totalled $93,763 while amortization of property and equipment expenses totalled $131,585, rent and other facilities expenses totalled $52,084, and travel expense amounted to $50,782. Grown Rogue also incurred interest accretion on its convertible debt of $14,893 during the three months ended July 31, 2018. The remaining $51,922 of expense related to various expenses such bad debts, business licenses and fees, utilities, insurance and other miscellaneous expenses. Grown Rogue also incurred interest expenses of $189,640 that were not included in operating expenses. Total expenses for the three months ended July 31, 2017 were $151,112 and were mainly comprised of professional fees of $40,380, wages, salaries and other payroll expenses of $54,200, and rent and other facilities expenses of $29,100. The remaining expenses of $27,432 relate to various expenses such travel, marketing, business licenses and fees, utilities, insurance and other miscellaneous expenses. The difference in expenses between the two three month periods ended July 31, 2018 and 2017 are due to the fact that Grown Rogue was still in the start-up phase of its operations during the period ended July 31, 2017.

Capital Resources

By July 31, 2018, Grown Rogue had issued long term debt consisting of convertible and promissory notes for aggregate proceeds of approximately $3,488,000, the proceeds of which were used to purchase property and equipment as well as general working capital purposes. By July 31, 2018, $1,237,775 of this debt, as well as accrued interest of $294,330, had been converted to 1,569 common units, while an additional $50,000 had been repaid. In addition, Grown Rogue issued 733 Seed Round Preferred Units for gross proceeds of $1,300,345. Each Preferred Unit will have one vote per unit and will be subject to automatic conversion into Common Units rounded to the nearest whole Common Unit, at the then conversion rate

immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Preferred Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued Common Units at the time of conversion. During the nine months ended July 31, 2018, Grown Rogue issued 190.8 common partnership units for proceeds of $225,000.

Outstanding Common Units

As of the date of this Listing Statement, Grown Rogue has issued and outstanding 60,746,202 Common Units and 10,780,291 warrants to purchase Common Units.

Liquidity and Capital Resources

As at October 31, 2017, Grown Rogue had cash of $453,199 and a working capital deficit of $261,627. As at July 31, 2018, Grown Rogue had cash of $100,685 and a working capital deficit of $876,637.

During the period from October 31, 2016 to October 31, 2017, cash of $696,508 was used in the operating activities of Grown Rogue. These funds were spent on the various operating expenses during the year as well as inventory. Grown Rogue also spent cash of $764,180 by investing in property, plant and equipment. Finally, the financing activities of Grown Rogue provided funds of $1,913,887 through the net issuance and repayment of long term debt.

During the nine months ended July 31, 2018, Grown Rogue spent $2,294,092 on operating activities, compared to cash spent on similar activities of $325,137 for the nine months ended July 31, 2017. As with the period from October 31, 2016 to October 31, 2017, these funds were spent on operating expenses and inventory. Grown Rogue invested $793,881 in property and equipment and intangible assets during the nine months ended July 31, 2018, a significant increase compared to investment in similar assets of $540,480 during the nine months ended July 31, 2017. Finally, Grown Rogue was able to generate cash of $2,735,459 through financing activities during the nine months ended July 31, 2018 by way of the issuance of partnership units and promissory and convertible notes. Cash generated during the nine months ended July 31, 2017 from financing activities was $1,360,037.

Commitments

As at July 31, 2018, Grown Rogue has commitments under operating leases for its facilities and commitments under finance lease for equipment. The minimum lease payments due are as follows:

Fiscal Year	Amount
2019	$259,384
2020	$227,772
2021	$20,600

Related Party Transactions

In addition to any other related party transactions disclosed in this Listing Statement, during the period from October 31, 2016 to October 31, 2017, Grown Rogue was party to the following related party transactions:

(b) Its wholly owned subsidiary, GRU Properties, leased 41.92 acres of real property located in Trail, Oregon from J. Obie Strickler, the Manager, President and majority owner of Grown Rogue. The lease expires on December 31, 2020. Rent of $50,000 was included in facility expense for the period ended October 31, 2017. Grown Rogue had $45,000 owing in accounts payable and accrued liabilities at October 31, 2017. For further details, see Section 13.7 – *Conflicts of Interest*.

(c) Purchased inventory of $208,238 from a company under common control of J. Obie Strickler. At October 31, 2017, accounts payable and accrued liabilities includes $208,238 payable to this company.

(d) Grown Rogue incurred employee/director fees of $14,000 with an individual related to J. Obie Strickler. At October 31, 2017, accounts payable and accrued liabilities includes $14,000 payable to this individual.

(e) Grown Rogue incurred fees related to marketing and promotion services of $32,655 from a company owned by Jacques Habra, Grown Rogue's Chief Strategy Officer. At October 31, 2017, accounts payable and accrued liabilities includes $4,362 payable to this company.

(f) Grown Rogue incurred fees related to marketing and promotion services of $56,849 from a company owned by Jacques Habra. At October 31, 2017, accounts payable and accrued liabilities includes $Nil payable to this company.

(g) Grown Rogue incurred fees related to computer services of $9,060 from a company owned by an individual related to J. Obie Strickler. As at October 31, 2017, accounts payable and accrued liabilities includes $Nil payable to this company.

(h) The compensation paid or payable to key management of Grown Rogue for salaries and consulting fees for the period ended October 31, 2017 was $235,504 (2016 - $Nil).

In addition to any other related party transactions disclosed in this Listing Statement, during the nine month period ended July 31, 2018, Grown Rogue was party to the following related party transactions:

(a) Its wholly owned subsidiary, GRU Properties, continued to lease 41.92 acres of real property located in Trail, Oregon from J. Obie Strickler, the Manager, President and majority owner of Grown Rogue. Rent of $48,500 was included in facility expense for the period ended July 31, 2018 (2017 - $35,000). Grown Rogue had $11,000 (October 31, 2017 - $45,000) owing in accounts payable and accrued liabilities at July 31, 2018. For further details, see Section 13.7 – Conflicts of Interest.

(b) Grown Rogue incurred employee/director fees of $36,000 (2017 - $4,000) with an individual related to J. Obie Strickler. At July 31, 2018, due to employee/ director includes $14,000 (October 31, 2017 - $14,000) and accounts payable and accrued liabilities includes $8,000 (October 31, 2017 - $Nil) payable to this individual.

(c) Grown Rogue incurred fees related to marketing and promotion services of $184,970 (2017 - $34,404) from two companies owned by Jacques Habra, Grown Rogue's Chief Strategy Officer. At July 31, 2018, accounts payable and accrued liabilities includes $5,443 (October 31, 2017 - $4,362) payable to these companies.

(d) Grown Rogue incurred fees related to computer services of $Nil (2017 - $9,060) from a company owned by an individual related to J. Obie Strickler. As at July 31, 2018, accounts payable and accrued liabilities includes $Nil (October 31, 2017 - $Nil) payable to this company.

(e) The compensation paid or payable to key management of Grown Rogue or salaries and consulting fees for the period ended July 31, 2018 was $364,970 (2017 - $132,404). Unit-based compensation related to the issuance of common units to key management of $1,049,595 was incurred during the period ended July 31, 2018 (2017 - $Nil).

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments include those related to the ability of Grown Rogue to continue as a going concern, the determination of when property, plant, and equipment are available for use, and impairment of its financial and non-financial assets. The most significant estimates and assumptions include those related to the valuation of deferred taxes, inputs used in accounting the determination of the discount rate used to estimate the fair value of the liability component of convertible promissory notes.

Future Accounting Pronouncements

IFRS 9 "Financial Instruments" was issued in final form in July 2014 by the IASB and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however early adoption is permitted. Grown Rogue is currently evaluating the impact adopting IFRS 9 will have on its consolidated financial statements.

IFRS 15 Revenue from contracts with customers was issued by the IASB in May 2014 and will replace IAS 18 Revenue, IAS 11 Construction contracts, and IFRIC 13 *Customer loyalty programmes*. IFRS 15 uses a control based approach to recognize revenue, which represents a change from the risk and reward approach used under the current standard, and it applies to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. Grown Rogue can elect to use either a full or modified retrospective approach when adopting the standard, which is effective for annual periods beginning on or after January 1, 2018. Grown Rogue is currently evaluating the impact adopting IFRS 15 will have of its consolidated financial statements.

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. Grown Rogue is currently evaluating the impact adopting IFRS 16 will have of its consolidated financial statements.

7. MARKET FOR SECURITIES

The Issuer is a reporting issuer in Ontario, and its common shares are listed for trading on the CSE under the symbol "NVS". The Issuer's common shares were previously quoted and traded in the United States on the OTCQB tier of the OTC Markets under the symbol "NVSIF" until trading was halted due to its announced Letter of Intent in connection with the Transaction. In the event that the Resulting Issuer wishes to resume trading on the OTCQB a new Form 15C-2-11 will be required to be filed by a sponsoring broker and approved by the OTC Markets.

None of Grown Rogue securities are listed or posted for trading on any stock exchange or quotation system.

8. CONSOLIDATED CAPITALIZATION

At the Issuer's annual and special meeting of shareholders held on May 31, 2017, the Issuer received the requisite shareholders' approval authorizing the forward split of the Issuer's issued and outstanding common shares on an up to five (5) for one (1) basis, or the consolidation of the Issuer's issued and outstanding Common Shares on an up to one (1) new for ten (10) old shares basis. On November 1, 2018, the Issuer filed articles of amendment to consolidate its common shares on the basis of 1.4 pre-consolidated common shares for 1 post-consolidated common share.

As of the date of this Listing Statement, the Resulting Issuer has issued and outstanding 71,653,598 Resulting Issuer Shares and securities (consisting of warrants and debentures) convertible into an aggregate of 26,325,152 Resulting Issuer Shares. The Resulting Issuer has no preference shares outstanding.

9. OPTIONS TO PURCHASE SECURITIES

The Company's Stock Option Plan (the "**Option Plan**") was adopted by the Board on December 21, 2010 and approved by a majority of the Issuer's shareholders voting at the Annual and Special Meeting held on February 24, 2011. Amendments to the Option Plan were approved by the Board on January 25, 2012 and were approved and ratified by the shareholders of the Issuer on February 24, 2012.

The Option Plan was adopted in order that the Issuer is able to provide incentives for directors, officers, employees, consultants and other persons (an "**Eligible Individual**") to participate in the growth and development of the Issuer by providing the Eligible Individual with the opportunity through share options to acquire an ownership interest in the Issuer.

As of the date of this Listing Statement, the Resulting Issuer has no options outstanding under the Option Plan.

The Resulting Issuer plans to seek approval from its shareholders for a new option plan at its next meeting of shareholders' and does not intend to grant any options under an option plan until shareholder approval is obtained.

10. DESCRIPTION OF THE SECURITIES

10.1 Description of the Resulting Issuer's Securities

The Resulting Issuer is authorized to issue an unlimited number of common shares and an unlimited number of preference shares, issuable in series. The attributes of the common shares and preference shares are set out below. The Resulting Issuer has neither sought nor obtained the approval for the issuance or listing of the Series A preference shares from the CSE. The Resulting Issuer does not intend to issue any Series A preference shares.

Common Shares

The holders of common shares are entitled to receive notice of and attend all meetings of the shareholders of the Resulting Issuer, and are entitled to one vote in respect of each common share held at such meetings. Subject to the prior rights of the holders of preference shares, if any, in the event of liquidation, dissolution, or winding-up of the Resulting Issuer or other distribution of its assets, the holders of the common shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the Resulting Issuer has paid out its liabilities. Distributions in the form of dividends, if any, will be set by the Board of Directors of the Resulting Issuer and shall be subject to the prior rights of the holders of preference shares, if any.

Preference Shares

The Board of Directors of the Resulting Issuer may issue preference shares at any time and from time to time in one or more series. The Board of Directors shall fix the number of shares in each series and determine the attributes of such series, subject to the articles of the Resulting Issuer.

The Preference Shares of each series rank on a parity with the Preference Shares of every other series with respect to priority in the payment of dividends and the return of capital and the distribution of assets of the Resulting Issuer in the event of the liquidation, dissolution or winding-up of the Resulting Issuer, whether voluntary or involuntary, or any other distribution of

the assets of the Resulting Issuer among its shareholders for the purpose of winding-up its affairs. The Preference Shares shall be entitled to priority over the Common Shares and over any other shares of any other class of the Resulting Issuer ranking junior to the Preference Shares with respect to priority in the payment of dividends and the return of capital and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Resulting Issuer, whether voluntary or involuntary, or any other distribution of the assets of the Resulting Issuer among its shareholders for the purpose of winding-up its affairs.

Except as provided for in the Resulting Issuer's articles or as otherwise provided by law or in accordance with any voting rights which may from time to time be attached to any series of preference shares, the holders of the preference shares as a class shall not be entitled as such to receive notice of, to attend to vote at any meeting of the shareholders of the Resulting Issuer.

Series A

The Resulting Issuer has authorized up to 5,570,000 Series A preference shares, none of which are issued and outstanding. Upon any liquidation, dissolution or winding-up of the Resulting Issuer, whether voluntary or involuntary, all Series A preference shares shall immediately and without notice, be converted to common shares and warrants of the Resulting Issuer in accordance with the terms and conditions set out in the Resulting Issuer's articles.

Each share of Series A preference shares shall be convertible, at the option of the holder thereof at any time and from time to time from and after the original issue date of the Series A preference shares, into: (i) that number of shares of common shares determined by issuing one common share of the Resulting Issuer for each Series A preference share so converted, and (ii) that number of warrants determined by issuing one three-year warrant for every Series A preference share converted, with a cashless exercise provision, and an exercise price of CDN$0.35, provided, however, each holder of Series A preference shares agrees that the common shares underlying the Series A preference shares and the warrants herein, shall, upon issuance, be locked up for a period of twelve months (and an appropriate legend shall be placed on the stock certificates). After such twelve month period, the holder may sell or transfer 15% of the received common shares each quarter until such time as all common shares are sold or transferred or eligible for sale or transfer (with any unsold or transferred stock carrying over until the following quarter).

If the Resulting Issuer, at any time while the Series A preference shares are outstanding, completes a dividend distribution, stock split or stock consolidation or otherwise adjusts the number of common shares outstanding, then the conversion price of the Series A preference shares shall be multiplied by a fraction of which the numerator shall be the number of shares of common shares (excluding treasury shares, if any) outstanding before such event and of which the denominator shall be the number of shares of common shares outstanding after such event.

If the Resulting Issuer, at any time while Series A preference shares are outstanding, shall distribute to all holders of common shares (and not to holders of Series A preference shares) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security, then in each such case the conversion price shall be determined by multiplying such conversion price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the volume weighted average price of the common shares determined, and of which the numerator shall be such volume weighted average price less the then fair market value of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the common shares as determined by the Board of Directors of the Resulting Issuer in good faith.

10.2 Debt and Other Securities

As of the date of this Listing Statement, the Resulting Issuer has outstanding the following promissory notes as described in Section 3.2:

Issue Date	Issuer	Principal Amount	Maturity Date
August 14, 2018	Resulting Issuer (a)	$1,500,000 (Resulting Issuer Convertible Debentures)	August 14, 2020
July 26, 2017	GRU Properties (b)	US$50,000	August 31, 2019
October 20, 2017	GRU Properties (c)	US$100,000	Arrangements have been made with the holder for the note to be repaid on December 1, 2018

(a) On closing of the Transaction, the Resulting Issuer issued the Resulting Issuer Debentures in exchange for the Convertible Debentures. A rate of interest of 2% per quarter from the date of issuance of the Resulting Issuer Debentures is payable quarterly in arrears on the last day of March, June, September and December of each year. The Resulting Issuer Debentures are convertible into Resulting Issuer Shares a price of $0.44 per share and the Resulting Issuer Debentures are secured by a general security agreement granting a security interest in all of the Resulting Issuer and its subsidiaries' property and assets.
(b) This note carries an interest rate of 12.5% per annum.
(c) This note carries an interest rate of 30% per annum.

10.3 Other Securities

Not applicable, no other securities are being listed.

10.4 Modification of Terms

Not applicable, there are no modification of terms to the securities being listed.

10.5 Other Attributes

Not applicable, all attributes are listed in 10.1 above.

10.6 Prior Sales

(A) Resulting Issuer

The following table summarizes the issuances of securities of the Resulting Issuer in the past 12 month period.

Issue Date	Class of Security	Number of Securities Issued/Issuable	Price/Exercise Price
August 31, 2017	Issuer Shares [a]	1,187,672	$0.18
August 31, 2017	Issuer Shares [b]	1,420,809	$0.129
Date of Transaction	Resulting Issuer Shares [c]	60,746,202	$0.44
Date of Transaction	Resulting Issuer Shares [d]	7,133,707	$0.44
Date of Transaction	Convertible Debentures	3 Convertible Debentures for an aggregate principal	$0.44

Issue Date	Class of Security	Number of Securities Issued/Issuable	Price/Exercise Price
		amount of $1,500,000	
Date of Transaction	Resulting Issuer Warrants (e)	5,446,202	$0.55
Date of Transaction	Resulting Issuer Warrants (f)	15,806,887	$0.55
Date of Transaction	Resulting Issuer Broker Warrants (g)	757,125	$0.44

(a) Effective August 31, 2017, the Issuer settled shareholder advances of $213,781 and issued 1,187,672 common shares in the capital of the Issuer at a price of $0.18 per share.
(b) In connection with the August 31, 2017 settlement of shareholder advances of $213,781, the Issuer issued 1,420,809 common shares in the capital of the Issuer pursuant to the anti-dilution provision contained in the private placement agreements dated August 31, 2016. The fair value of $184,705 was calculated on the previous day's closing price of the Issuer's common shares.
(c) Represents the Resulting Issuer Shares issued under the GR Acquisition (inclusive of the subscribers of the GRUS Subscription Receipts).
(d) Represents the Resulting Issuer Shares issued under the Amalgamation to (i) all of the shareholders of Grown Rogue Canada and (ii) to the holders of the Debt Conversion Shares. See tables (C) and (D) below for a summary of issuances of securities of Grown Rogue Canada and Novicius AcquisitionCo.
(e) Represents the Resulting Issuer Warrants issued under the GR Acquisition (inclusive of the subscribers of the GRUS Subscription Receipts).
(f) Represents the Resulting Issuer Warrants issued under the Amalgamation to all of the warrantholders of Grown Rogue Canada and Novicius AcquisitionCo. See tables (C) and (D) below for a summary of issuances of securities of Grown Rogue Canada and Novicius AcquisitionCo.
(g) Represents the Broker Warrants issued under the offering of the Brokered Subscription Receipts, the GRUS Subscription Receipts and the Convertible Debenture.

(B) *Grown Rogue*

In addition to the promissory notes and convertible debentures described in Section 3, the following table summarizes the issuances of securities of Grown Rogue in the past 12 month period.

Issue Date	Class of Security	Number of Securities Issued/Issuable	Price/Exercise Price
December 11, 2017	Preferred Units (a)	2,465,574	US$0.32
January 5, 2018	Preferred Units (a)	929,374	US$0.32
January 9, 2018	Preferred Units (a)	306,144	US$0.32
January 10, 2018	Preferred Units (a)	306,144	US$0.32
January 26, 2018	Common Units (b)	174,079	US$0.32
January 31, 2018	Common Units (c)	462,500	US$0.32
January 31, 2018	Common Units (d)	385,417	US$0.32
March 1, 2018	Incentive Units	3,802,110	US$0.02
March 31, 2018	Common Units (e)	1,644,188	US$0.18
June 1, 2018	Common Units (f)	4,350,823	US$0.18
June 13, 2018	Common Units	578,125	US$0.22
June 15, 2018	Common Units	346,875	US$0.22

Issue Date	Class of Security	Number of Securities Issued/Issuable	Price/Exercise Price
June 15, 2018	Common Units (g)	557,151	US$0.22
August 14, 2018	GRUS Subscription Receipts	3,126,023	$0.44
September 6, 2018	GRUS Subscription Receipts	600,000	$0.44
September 11, 2018	GRUS Subscription Receipts	30,000	$0.44
October 9, 2018	GRUS Subscription Receipts	15,000	$0.44
Date of Transaction	Common Units (h)	2,727,250	US$0.02
Date of Transaction	Common Units (i)	198,214	US$0.25
Date of Transaction	Common Units (j)	1,644,188	US$0.19
Date of Transaction	Common Units (k)	4,782,284	US$0.25
Date of Transaction	Common Units (l)	485,379	US$0.25
Date of Transaction	Common Units (m)	6,600,000	US$0.02
Date of Transaction	Common Units (n)	3,771,023	$0.44
Date of Transaction	GR Warrants (n)	3,771,023	$0.55
Date of Transaction	Common Units (o)	1,475,179	$0.44
Date of Transaction	GR Warrants (o)	1,675,179	$0.55

(a) Each Preferred Unit was automatically converted into Common Units immediately prior to the Transaction.
(b) Issued pursuant to the conversion of US$50,000 in principal and accrued interest of a promissory note dated October 23, 2017.
(c) Issued pursuant to the conversion of US$100,000 in principal and interest of a promissory note dated July 26, 2017.
(d) Issued pursuant to the conversion of US$100,000 in principal and interest of a promissory note dated July 26, 2017.
(e) Issued pursuant to the conversion of US$250,000 in principal and interest of a promissory note dated October 1, 2017.
(f) Issued pursuant to the conversion of US$637,775 in principal and interest of a promissory note dated June 1, 2017.
(g) Issued pursuant to the conversion of US$100,000 in principal and interest of a promissory note dated February 1, 2017.
(h) Issued pursuant to the exercise of options.
(i) Issued pursuant to the conversion of US$50,000 in principal of a promissory note dated August 31, 2017.
(j) Issued pursuant to the conversion of US $300,000 in principal of a promissory note dated November 7, 2017.
(k) Issued pursuant to the conversion of US$1,000,000 in principal and interest of a promissory note dated December 15, 2017.
(l) Issued pursuant to the conversion of US$100,000 in principal and interest of a promissory note dated February 1, 2017.
(m) Issued to the shareholders of Cal-Green pursuant to the Technology License Agreement.
(n) Issued pursuant to the automatic exchange of GRUS Subscription Receipts.
(o) Issued pursuant to the option issued by Grown Rogue on October 30, 2018.

(C) Grown Rogue Canada

The following table summarizes the issuances of securities of Grown Rogue Canada for the 12 month period prior to the date of the Listing Statement.

Issue Date	Class of Security	Number of Securities Issued/Issuable	Price/Exercise Price
January 31, 2018	Common Shares	1	$0.01

Issue Date	Class of Security	Number of Securities Issued/Issuable	Price/Exercise Price
July 5, 2018	Brokered Subscription Receipts	5,673,417	$0.44
July 5, 2018	GRC Broker Warrants	390,297	$0.44
August 1, 2018	Common Shares (a)	99,999	$0.02
August 14, 2018	Brokered Subscription Receipts	300,000	$0.44
August 14, 2018	GRC Broker Warrants	358,550	$0.44
August 14, 2018	GRC Warrants (b)	3,409,091	$0.55
September 19, 2018	Brokered Subscription Receipts	16,000	$0.44
September 19, 2018	GRC Broker Warrants	1,120	$0.44
October 30, 2018	Brokered Subscription Receipts	204,500	$0.44
October 30, 2018	GRC Broker Warrants	7,158	$0.44
October 30, 2018	GRC Warrants (c)	5,364,089	$0.55
Date of Transaction	Common Shares (d)	6,193,917	$0.44
Date of Transaction	GRC Warrants (d)	6,193,917	$0.55

(a) Issued to a director of Grown Rogue Canada for services rendered.
(b) Issued together with the Convertible Debentures pursuant to the financing terms agreed to between Grown Rogue and the holders of the Convertible Debentures.
(c) Issued for $0.02 per GRC Warrant to certain lenders and securityholders of Grown Rogue. These GRC Warrants (when exchanged for Resulting Issuer Warrants pursuant to the Amalgamation) include a right in favour of the Resulting Issuer to accelerate the expiry date of the warrants during the term if the shares of the Resulting Issuer close at or above $0.70 per share for a period of ten (10) consecutive trading days on the CSE. The Resulting Issuer is entitled to accelerate the expiry of the warrants during the term to that date that is not less than 30 days from the date of delivery of a notice to the holder announcing the exercise of the acceleration right.
(d) Issued pursuant to the automatic exchange of Brokered Subscription Receipts.

(D) Novicius AcquisitionCo

The following table summarizes the issuances of securities of Novicius AcquisitionCo for the 12 month period prior to the date of the Listing Statement.

Issue Date	Class of Security	Number of Securities Issued/Issuable	Price/Exercise Price
March 26, 2018	Common Shares	100	0.10
Date of Transaction	Common Shares (a)	839,790	0.44
Date of Transaction	Warrants (a)	839,790	0.44

(a) Issued pursuant to the Debt Conversion.

3.4 Stock Exchange Price

The common shares of the Issuer commenced trading on the CSE effective November 26, 2016 under the symbol “ISP”. On May 29, 2017 the Issuer’s common shares commenced trading under the new symbol “NVS”.

The following table sets out the reported high and low prices, and the volume of the Issuer's common stock on the CSE in Canadian dollars for the current quarter month by month, the preceding quarter by month and the preceding fiscal quarters commencing November 26, 2016.

	Period	High $	Low $	Volume
3rd Quarter 2018 by Month*	March 26, 2018*	0.22	0.15	79,000
2nd Quarter 2018 by Month	February 28, 2018	0.28	0.10	113,730
	January 31, 2017	0.21	0.15	292,800
	December 31, 2017	0.20	0.07	79,140
1st Quarter 2018 by Month	November 30, 2017	0.155	0.07	31,794
	October 31, 2017	0.105	0.10	45,000
	September 30, 2017	0.125	0.07	93,501
Fiscal 2017 by Quarter	First Quarter ended 11/30/2016	0.65	0.65	500
	Second Quarter Ended 02/29/2017	6.60	3.50	3,750
	Third Quarter Ended 05/31/2017	2.55	0.40	8,150
	Fourth Quarter Ended 08/31/2017	0.66	0.08	64,950

*The Issuer's common shares were halt traded on the CSE on March 27, 2018.

The following table sets out the reported high and low prices, and the volume of the Issuer's common stock on the OTCQB in US dollars for the current quarter month by month, the preceding quarter by month and for the fiscal quarters commencing in the second quarter of 2016.

	Period	High $	Low $	Volume
3rd Quarter 2018 by Month*	April 26, 2018*	0.18	0.18	20,992
	March 31, 2018	0.18	0.10	20,992
2nd Quarter 2018 by Month	February 28, 2018	0.15	0.10	2,000
	January 31, 2018	0.15	0.13	55,768
	December 31, 2017	0.15	0.04	97,000
1st Quarter 2018 by Month	November 30, 2017	0.12	0.03	41,800
	October 31, 2017	0.13	0.13	36,700
	September 30, 2017	0.13	0.09	22,500
Fiscal 2017 by Quarter	First Quarter ended 11/30/2016	10.90	3.20	138,377
	Second Quarter Ended 02/29/2017	4.90	0.80	11,454
	Third Quarter Ended 05/31/2017	0.84	0.51	5,026
	Fourth Quarter Ended 08/31/2017	0.25	0.003	187,882
Fiscal 2016 by Quarter	Second Quarter ended 02/29/2016	7.00	5.00	1,180
	Third Quarter Ended 05/31/2016	24.70	12.70	355,710
	Fourth Quarter Ended 08/31/2016	24.50	7.90	788,500

*The Issuer's common shares were halt traded on the OTCQB on April 26, 2018.

11. ESCROWED SECURITIES

Effective upon the closing of the Acquisition, the following securities of the Resulting Issuer are held in escrow:

Designation of class held in escrow	Number of securities held in escrow	Percentage of class
Resulting Issuer Shares	32,103,535(a)	44.80%
Resulting Issuer Warrants	929,432	4.22%

(a) Shares held by J. Obie Strickler, a director and officer of the Reporting Issuer, and Jacques Habra, an officer of the Resulting Issuer, which were deposited in escrow pursuant to the policies of the Exchange on the closing of the Acquisition.
(b) Resulting Issuer Warrants held by J. Obie Strickler, a director and officer of the Resulting Issuer.

The Exchange escrowed securities shall be released on the following schedule:

The date Common Shares are listed on the CSE (the "Listing Date")	1/10 of the Escrow Securities
6 months after the Listing Date	1/6 of the remaining Escrow Securities
12 months after the Listing Date	1/5 of the remaining Escrow Securities
18 months after the Listing Date	1/4 of your remaining Escrow Securities
24 months after the Listing Date	1/3 of the remaining Escrow Securities
30 months after the Listing Date	1/2 of the remaining Escrow Securities
36 months after the Listing Date	remaining Escrow Securities

12. PRINCIPAL SHAREHOLDERS

There are 71,653,598 issued and outstanding common shares in the capital of the Resulting Issuer as of the date of this Listing Statement. To the best knowledge of the Resulting Issuer, no persons hold directly or indirectly or exercise control or direction over, common shares carrying 10% or more of the voting rights attached to all issued and outstanding common shares except as set out in the table below. The common shares of the Resulting Issuer owned by insiders have identical voting rights as those owned by other shareholders.

Name	Amount and Nature of Beneficial Ownership of Common Shares	Percentage of Issued Common Shares	Percentage of Issued Common Shares Fully Diluted
J. Obie Strickler	28,616,766	39.93%	30.16%

13. DIRECTORS AND OFFICERS

13.1 Particulars of Directors and Officers

Name and Jurisdiction of Residence	Position	Year First Elected or Appointed	Number of Common Shares beneficially owned or controlled of the Resulting Issuer	Percentage of Issued and Outstanding Common Shares[(3)]
J. Obie Strickler (Oregon, United States)	President, Chief Executive Officer and Director	2018	28,616,766	38.93%
Jacques Habra (California, United States)	Chief Strategy Officer	2018	3,486,769	4.87%
Michael Johnston (Ontario, Canada)	Chief Financial Officer and Corporate Secretary	2018	Nil	Nil
Abhilash Patel (California, United States)	Director	2018	689,585	0.96%
Stephen Gledhill (Ontario, Canada)	Director	2018	Nil	Nil
TOTAL			32,793,120	45.77%

Notes:
(1) The information as to shares beneficially owned, directly or indirectly, not being within the knowledge of the Resulting Issuer, has been furnished by the respective proposed directors individually.

13.2 Board Committees

Our Board of Directors discharges its responsibilities directly and through committees of the Board of Directors, currently consisting of an Audit Committee, a Compensation Committee and a Disclosure Committee. The members of the Audit Committee, Compensation Committee and Disclosure Committee are J. Obie Strickler, Abhilash Patel and Stephen Gledhill. Stephen Gledhill is the chairman of the Audit Committee. J. Obie Strickler, being an executive officer of the Resulting Issuer, is not "independent" as defined in NI 52-110 – *Audit Committees* ("**NI 52-110**"). The Resulting Issuer is relying on the exemption provided by section 6.1 of NI 52-110 pursuant to which the Resulting Issuer, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

13.3 Other Occupations

Other occupations of the directors and officers of the Resulting Issuer are set out in Section 13.8. In addition, the following directors and officers of the Resulting Issuer also serve as directors and/or officers of other reporting issuers, as follows:

Name	**Other Reporting Issuers**
Michael Johnston	CFO of Canada House Wellness Group Inc. (CSE)
Stephen Gledhill	CFO of Caracara Silver Inc. (TSXV) CFO of CO2 Gro Inc. (TSXV)

13.4 Cease Trade Orders or Bankruptcies

Except as disclosed below, no director or officer of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is, or within 10 years before the date of this Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity: (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days; (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On April 25, 2016, CO2 Gro Inc. (formerly BlueOcean NutraSciences Inc.) ("**BOC**") applied to the applicable Canadian securities regulatory authorities pursuant to National Policy 12-203 – Cease Trade Orders for Continuous Disclosure Defaults ("**Policy 12-203**") for a MCTO, which precluded members of management (including Stephen Gledhill, CFO from trading BOC common shares until such time as the MCTO is no longer in effect. The MCTO was sought by BOC as it would not be filing its audited annual financial statements, related management discussion and analysis and applicable officer certifications (the "**Annual Materials**") by the deadline date of April 29, 2016. On May 9, 2016, the OSC granted a temporary MCTO, effective until May 16, 2016. On May 16, 2016, the OSC issued a permanent MCTO in effect until 2 days following BOC filing its Annual Materials with the applicable regulatory authorities. On July 19, 2016, BOC filed its Annual Materials and on July 21, 2016, the MCTO was lifted.

On January 12, 2016 (further to a TSX Venture Exchange Bulletin dated January 11, 2016), Gemoscan Canada, Inc.'s ("**GES**") shares were suspended from trading on the TSX Venture Exchange for failing to maintain exchange requirements, GES having made assignment into bankruptcy. Effective January 13, 2016, GES's listing was transferred to the NEX. Stephen Gledhill served as CFO of GES from August 2010 to November 2015.

Michael Johnston was included in a MCTO granted by the OSC on September 13, 2017 as a result of Canada House Wellness Group Inc. being unable to file the audited financial statements and MD&A (and related certifications) for the year ended April 30, 2017. The delay occurred because the issuer was denied access to certain records to a subsidiary for which there was an ownership dispute. The MCTO was extended until such time as the interim financial statements and MD&A (and related certifications) for the interim period ended July 31, 2017 were filed. The MCTO was lifted on November 22, 2017 after the financial statements (and related documents) were filed.

13.5 Penalties or Sanctions

No director or officer of the Resulting Issuer, or a shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer has: (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a

Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

13.6 Personal Bankruptcies

No director or officer of the Resulting Issuer, or a shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

13.7 Conflicts of Interest

Except as disclosed below, there are no existing or potential material conflicts of interest between the Resulting Issuer or a subsidiary of the Resulting Issuer and a director or officer of the Resulting Issuer or a subsidiary of the Resulting Issuer.

Obie Strickler currently owns the Trails End Property that is one of the facility properties leased to GRU Properties. Grown Rogue pays $5,000 per month in rent for this property and 2.5% of gross sales achieved at the property, all payable in cash. Although this lease began January 1, 2017, Grown Rogue began paying this amount in October, 2017. As such, Grown Rogue has $45,000 of accrued liabilities related to nine months' rent that went unpaid. The rent owed by GRU Properties to Mr. Strickler is paid in cash at comparable market rates.

Canopy Management sold finished product inventory to GR Gardens on May 1, 2017 payable to Canopy Management in cash at when such inventory was processed and sold into the Oregon recreational market. The amount GR Gardens agreed to pay Canopy Management would be reflective of market prices of the product to retail locations (without additional margin for GR Gardens). All inventory previously owned by Canopy Management has been liquidated and the amount owed to Canopy Management was adjusted to reflect market price conditions at the time of sale by GR Gardens in the recreational market. Accordingly, the current adjusted amount owed to Canopy Management for the purchased inventory is US$180,799. This transaction with Canopy Management was a related party transaction given that, at the time of the agreement, Mr. J. Obie Strickler was the majority owner and sole manager of Canopy Management and the sole owner and manager of Grown Rogue.

13.8 Management

J. Obie Strickler – President, Chief Executive Officer and Director. Mr. Strickler is the CEO, President and founder of Grown Rogue. He founded Canopy Management, LLC in 2015 to consolidate the three medical facilities he had operated since 2006 within one company. Mr. Strickler formed Grown Rogue in 2016 and entered the Oregon recreational cannabis market with a plan to build a multi-national cannabis brand. Mr. Strickler has been active in the Oregon medical marijuana market since early 2000 where he organically scaled a single 15 plant property to four separate facilities with approximately 200 outdoor plants and 30 lights operating indoors. Mr. Strickler has a BS in Geology from Southern Oregon University and is also an Oregon Professional Geologist. During the time he was financing and overseeing Canopy's growth he was also the regional manager for a large multi-service environmental company where he oversaw a staff of 15 people before starting his own business in 2011 to provide

management services to large natural resource companies primarily in the mining sector. In this role, he was responsible for building and integrating complex technical teams to advance large, world-class, multi-billion-dollar mining projects from exploration through feasibility primarily in base and precious metals. In 2014, Mr. Strickler teamed with aerospace engineers to form HyperSciences, Inc a platform technology company focused on commercializing hypervelocity technology into a variety of industrial applications. Mr. Strickler helped secure a large contract with one of the world's larger oil and gas providers to solve deep drilling challenges and moved this project through proof of concept before departing to focus on the opportunities in cannabis full time. Mr. Strickler will take his production experience in the cannabis industry and his integration and execution experience from the natural resource industry to build Grown Rogue into a premier cannabis company. Mr. Strickler is 38 years old and is employed on a full time basis with the Resulting Issuer. Mr. Strickler has signed a non-competition and non-disclosure agreement with the Resulting Issuer.

Jacques Habra – Chief Strategy Officer. Mr. Habra is the Chief Strategy Officer of Grown Rogue responsible for branding, marketing, communications, and Resulting Issuer strategy. Mr. Habra is an award-winning entrepreneur who has launched multiple companies with successful exits in various sectors including technology, electronics, and real estate. Mr. Habra graduated from the University of Michigan with a degree in English and Philosophy with Honors. National success stories include founding and sale of Web Elite, lead investor and interim CEO of TrackR (recently awarded $50MM in Series B funding from Amazon), and founding and financing of SelfEcho. Mr. Habra serves on several non-profit boards in the greater Santa Barbara community and in 2016 was named Entrepreneur of the Year by the Santa Barbara Technology and Industry Association. Jacques' leadership at Grown Rogue has led to private equity investment, an emphasis on "Experience" branding, and successful growth strategy. Mr. Habra is 44 years old and is an independent contractor providing services on a full time basis to the Resulting Issuer. Mr. Habra has signed a non-competition and non-disclosure agreement with the Resulting Issuer.

Michael Johnston – Chief Financial Officer and Corporate Secretary. Mr. Johnston is a graduate of Western University, and joined Forbes Andersen LLP, Chartered Professional Accountants in 2004 and became a partner in 2012. Mr. Johnston has over 10 years of experience with both private and public companies in various capacities, including that of Chief Financial Officer. Mr. Johnston is 37 years old and is an independent contractor providing services on a part time (30%) basis to the Resulting Issuer. Mr. Johnston has signed a non-disclosure agreement with the Resulting Issuer but has not signed a non-competition agreement with the Resulting Issuer.

Abhilash Patel – Director. Mr. Patel is a serial entrepreneur, venture investor, speaker, and philanthropist. He is currently Founder & Principal at Lotus Capital, an early-stage investment fund in Santa Monica, CA. He is on the Board of Directors for several non-profit organizations in Southern California, including the Los Angeles Food Bank, Junior Achievement of Southern California, and 10,000 Beds. Previously Abhilash was founder and CEO at Ranklab, a digital marketing agency listed in Inc. Magazine's fastest growing private companies in 2015, and Co-founder at Recovery Brands, a digital publishing company based in San Diego, CA. In 2015 both companies were acquired by AAC, Holdings Inc. and Abhilash remained in an active leadership position at both companies until his exit in late 2016. Abhilash holds a Bachelor of Arts in Economics and Philosophy from Columbia University, and a Master of Business Administration from the University of California, Los Angeles' Anderson School of Management. Abhilash's work has been featured in several major publications, including Inc., Huffington Post, Forbes, and Entrepreneur, USA Today, among others. Dr. Drew., Inc. named Abhilash "One of 20 Inspiring Entrepreneurs Improving Health for All" and Forbes highlights him in an interview entitled "How Web Publishing is Saving Lives". When he's not helping businesses grow, Abhilash is spending time with his wife and their three beautiful sons, or training for his next

triathlon. Mr. Patel is 38 years old and intends to devote the time necessary to serve as a director of the Resulting Issuer, which is estimated to be 10% of his time. Mr. Patel has signed a non-disclosure agreement with the Resulting Issuer but has not signed a non-competition agreement with the Resulting Issuer.

Stephen Gledhill – Director and Audit Committee Chairman. Mr. Gledhill is a founding member and Managing Director of RG Mining Investments Inc. and RG Management Services Inc., both of which are accounting, administrative and corporate secretarial services companies. In 1992, he formed Keshill Consulting Associates Inc., a boutique management consulting practice. Mr. Gledhill has over 25 years of financial-control experience and acts as CFO and Corporate Secretary for multiple publicly-traded companies, several of which he was instrumental in scaling-up and taking public. He currently serves as the CFO of Caracara Silver Inc. (TSXV:CSV) and CO2 Gro Inc. (TSXV:GROW). Prior to the inception of RGMI and RGMS, Mr. Gledhill served as the Senior Vice President and CFO of Borealis Capital Corporation, a Toronto-based merchant bank as well as Vice President of Finance of OMERS Realty Corporation (ORC), the real estate entity of the Ontario Municipal Employees Retirement System.Mr. Gledhill is a Chartered Public Accountant and Certified Management Accountant and holds a Bachelor of Math Degree from the University of Waterloo. Mr. Gledhill is 57 years old and intends to devote the time necessary to serve as a director of the Resulting Issuer, which is expected to be 10% of his time. Mr. Gledhill has signed a non-disclosure agreement with the Resulting Issuer but has not signed a non-competition agreement with the Resulting Issuer.

14. CAPITALIZATION

14.1 Issued Capital

The following information reflects the anticipated share capitalization of the Resulting Issuer after giving effect to Transaction:

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% Issued (non-diluted)	% of Issued (fully-diluted)
Public Float				
Total Outstanding (A)	71,653,598	97,978,750	100%	100%
Held by related persons or employees or related person or by persons or company who beneficially own, direct or indirectly, more than a 5% voting position in the issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the issuer upon exercise or conversion of other securities held (B)	46,453,475	59,475,169	64.83%	60.70%
Total Public Float (A-B)	**25,200,123**	**38,883,609**	**35.17%**	**39.30%**
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including	32,103,535	33,032,967	44.80%	33.71%

restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)				
Total Tradeable Float (A-C)	**39,550,063**	**64,945,783**	**55.20%**	**66.29%**

Public Securityholders (Registered)

Common Shares		
Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	1,094	1,644
100 – 499 securities	8	1,379
500 – 999 securities	8	5,809
1,000 – 1,999 securities	6	8,430
2,000 – 2,999 securities	3	8,067
3,000 – 3,999 securities	4	14,123
4,000 – 4,999 securities	4	17,930
5,000 or more securities	102	44,614,183
	1,229	71,653,598

Public Securityholders (Beneficial)

Common Shares		
Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	1,854	14,388
100 – 499 securities	66	28,612
500 – 999 securities	70	48,899
1,000 – 1,999 securities	37	94,253
2,000 – 2,999 securities	25	129,298

3,000 – 3,999 securities	29	36,977
4,000 – 4,999 securities	4	17,930
5,000 or more securities	168	44,301,208
	2,223	71,653,598
Unable to confirm		

Non-Public Securityholders (Registered)

Class of Security **Size of Holding**	**Number of holders**	**Total number of securities**
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities	7	46,453,475
	7	46,453,475
Unable to confirm		

The following table sets out details for securities of the Resulting Issuer convertible or exchangeable into common shares:

14.2

Instrument	Details of Security	Number of convertible/ exchangeable securities outstanding	Number of listed securities issuable upon conversion/ exercise
Warrants	114,656 common share purchase warrants exercisable at $4.90 expiring March 1, 2019.	114,656	114,656
Warrants	16,883 common share purchase warrants exercisable at $17.50 expiring August 31, 2019.	16,883	16,883
Warrants	17,183 common share purchase warrants exercisable at $14.00 expiring November 30, 2019.	17,183	17,183
Warrants	21,253,089 common share purchase warrants	21,253,089	21,253,089

	exercisable at $0.55 expiring November 15, 2020 (a)		
Resulting Issuer Broker Warrants	757,125 broker warrants held by the Agents exercisable at $0.44 expiring November 15, 2020	757,125	757,125
Warrants underlying the Resulting Issuer Broker Warrants	757,125 common share purchase warrants exercisable at $0.55 expiring November 15, 2020	757,125	757,125
Convertible Debenture	3,409,091 common shares convertible at $0.44 per share expiring November 15, 2020	3,409,091	3,409,091
TOTAL		**26,325,152**	**26,325,0152**

(a) Represents the Resulting Issuer Warrants issued under the GR Acquisition and the Amalgamation (inclusive of (i) the subscribers to the Brokered Subscription Receipts, Debentures and GRUS Subscription Receipts and the (ii) participants to the Debt Conversion).

15. EXECUTIVE COMPENSATION

15.1 Form 51-102F6

The following table (presented in accordance with National Instrument Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers)* sets forth all annual and long term compensation for services paid to or earned by each NEO and director for the two most recently completed financial years ended August 31, 2018.

Table of Compensation excluding Compensation Securities

Name and Position	Year	Salary, consulting fee, retainer or commission	Bonus	Committee or meeting fees (1)	Value of perquisites	Value of All Other Compensation	Total Compensation
James Cassina, Chief Financial Officer and Director (2) (3)	2018	$60,000	nil	100	nil	$100	$60,100
	2017	$60,000	nil	$1,300 -	nil	$1,300	$61,300
Ritwik Uban, Chief Executive Officer, President, Director (2)(4)(5)	2018	nil	nil	nil	nil	nil	nil
	2017	$65,481	nil	$1,300	nil	$1,300	$66,781
Dikshant Batra, Director (5)	2018	nil	nil	$100	nil	$100	$100
	2017	nil	nil	$1,300	nil	$1,300	$1,300

Notes:

1. Accrued on account of directors fees at a rate of $100 per meeting.
2. James Cassina has been the acting Chief Financial Officer for the years ended August 31, 2018, 2017 and 2016 and was appointed President of the Issuer on June 18, 2010. James Cassina resigned as President of the Issuer on September 9, 2016 upon the appointment of Ritwik Uban as President.
3. Management fees.
4. On September 9, 2016, the Issuer entered into an employment agreement with the President of the Issuer under which the Issuer agreed to pay to the President, a base salary of $90,000 and grant one hundred thousand (100,000) common share purchase options. Effective May 21, 2017, the Issuer and the President agreed to amend the terms of the employment agreement, by reducing the President's base salary to $10.00 annually, allowing the President to contract his services to Torinit Technologies Inc. ("Torinit"), contemporaneous with his continued employment with the Issuer and providing a top up provision of up to $1,500 in a month from the Issuer if the gross compensation earned by the President from Torinit during June, July and August of 2017 (the "Period"), reduces the overall compensation earned by the President below $7,500 in any such month during the Period.
5. Dikshant Batra and Ritwik Uban were appointed directors of the Issuer on September 9, 2016.

Stock Options and Other Compensation Securities

The following table sets forth all compensation securities granted or issued to each director and named executive officer by the Issuer or its subsidiaries in the most recently completed financial year ended August 31, 2018.

Compensation Securities							
Name and Position	**Type of Compensation Security**	**Number of Compensation Securities, number of underlying securities, and percentage of class (#)**	**Date of Issue or Grant**	**Issue, Conversion or Exercise Price**	**Closing Price of security or Underlying Security on Date of Grant**	**Closing Price of security or Underlying Security on Date at Year End**	**Expiry Date**
James Cassina Chief Financial Officer and Director	nil	nil	nil	nil	nil	nil	nil
Ritwik Uban, Chief Executive Officer, President and Director	nil	nil	nil	nil	nil	nil	nil
Dikshant Batra, Director	nil	nil	nil	nil	nil	nil	nil

Exercise of Compensation Securities by Directors and NEOs

The following table discloses each exercise by a director or NEO of compensation securities during the financial year ended August 31, 2018:

Name and position	Type of compen-sation security	Number of underlying securities exercised (#)	Exercise price per security ($)	Date of Exercise	Closing price per security on date of exercise ($)	Difference between exercise price and closing price on date of exercise ($)	Total value on exercise date ($)
James Cassina Chief Financial Officer and Director	nil	nil	nil	nil	nil	nil	nil
Ritwik Uban, President and Director	nil	nil	nil	nil	nil	nil	nil
J Dikshant Batra, Director	nil	nil	nil	nil	nil	nil	nil

Pension Plan Benefits

The Issuer does not currently provide pension plan benefits to its Named Executive Officers.

Termination and Change of Control Benefits

The Issuer does not currently have executive employment agreements in place with any of its Named Executive Officers.

The Issuer has no compensatory plan, contract or arrangement where a named executive officer or director is entitled to receive compensation in the event of resignation, retirement, termination, change of control or a change in responsibilities following a change in control.

Director Compensation

Prior to the completion of the Transaction, each director of the Issuer was entitled to receive the sum of $100 for each meeting of the directors, meeting of a committee of the directors (of which the director is a member) or meeting of the shareholders attended. No such directors' fees were paid for the year ended August 31, 2018.

Retirement Policy for Directors

The Issuer does not have a retirement policy for its directors.

Directors' and Officers' Liability Insurance

The Issuer does not currently maintain directors' and officers' liability insurance.

Post Transaction Executive Compensation

After Completion of the Transaction, each of J. Obie Strickler (current director, President and Chief Executive Officer of the Resulting Issuer and Michael Johnston (current Chief Financial

Officer) will enter into management agreements with the Resulting Issuer pursuant to which each of Messrs. Strickler and Johnston will provide their respective services to the Resulting Issuer. The terms and conditions of all such management agreements have not yet been determined and will be subject to the prior approval of the Resulting Issuer's Board of Directors.

It is anticipated that the Resulting Issuer will pay compensation to its directors in the form of annual fees for attending meetings of the Resulting Issuer's Board of Directors. Directors may receive additional compensation for participating in and acting as chairs of committees of the Resulting Issuer. Directors will also be entitled to receive stock options and other applicable awards as determined by the Board of Directors and will be reimbursed for any out-of-pocket travel expenses incurred in order to attend meetings of the Board of Directors, committees of the Resulting Issuer's board or meetings of the shareholders of the Resulting Issuer. It is also anticipated that the Resulting Issuer will obtain customary insurance for the benefit of its directors and enter into indemnification agreements with its directors pursuant to which the Resulting Issuer will agree to indemnify its directors to the extent permitted by applicable law.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Resulting Issuer, a proposed nominee for election as a director of the Resulting Issuer, and each associate of any such director, executive officer or proposed nominee: (a) is, or at any time since the beginning of the most recently completed financial year of the Resulting Issuer has been, indebted to the Resulting Issuer or any of its subsidiaries or (b) has indebtedness to another entity that is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Resulting Issuer or any of its subsidiaries.

17. RISK FACTORS

17.1 Risk Factors

There are a number of risk factors that could cause future results to differ materially from those described herein. Because Grown Rogue will be the only operating asset of the Resulting Issuer following the Proposed Transaction, many of the risk factors described in this Section relate to Grown Rogue. The risks and uncertainties described in this Listing Statement are not the only ones the Resulting Issuer may face. Additional risks and uncertainties that the Resulting Issuer is unaware of, or that the Resulting Issuer currently deems not to be material, may also become important factors that affect the Resulting Issuer. If any such risks actually occur, the Resulting Issuer's business, financial condition or results of operations could be materially adversely affected. In that case, you could lose all or part of your investment.

An investment in the Resulting Issuer Shares should be considered highly speculative, not only due to the nature of Grown Rogue's existing business and operations, but also due to the uncertainty related to the expected business of the Resulting Issuer upon completion of the Transaction. In evaluating an investment in the Resulting Issuer Shares, investors generally should carefully consider not only the following risk factors relating to the Resulting Issuer Shares, but the risk factors associated with the business of the Resulting Issuer and Grown Rogue set out below. The following list of risk factors is not a definitive list of all risk factors associated with the Resulting Issuer. Additional risks and uncertainties, including those currently known or considered immaterial by the Resulting Issuer or Grown Rogue, may also adversely affect Resulting Issuer Shares, and/or the business of the Resulting Issuer.

Market Reaction

The market reaction to the Transaction and the future trading prices of the Resulting Issuer Shares cannot be predicted. Following the Transaction, the price of the Resulting Issuer Shares may fluctuate significantly due to the market's reaction to the Transaction and general market and economic conditions. An active trading market for the Resulting Issuer Shares following the Transaction may never develop or, if developed, it may not be sustained.

Holding Company Status

The Resulting Issuer is, at least initially upon completion of the Transaction, a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. As a result, investors in the Resulting Issuer are subject to the risks attributable to its subsidiaries. As a holding company, the Resulting Issuer conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Resulting Issuer's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Resulting Issuer. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt or other contracts, in each case, which could limit the ability to pay such dividends or distributions, if at all. In the event of a bankruptcy, liquidation or reorganization of any of the Resulting Issuer's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Resulting Issuer.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Resulting Issuer Shares will be maintained and an investor may find it difficult to resell any Resulting Issuer Shares or other securities of the Resulting Issuer.

Asset Location and Legal Proceedings

Substantially all of the Resulting Issuer's assets will be located outside of Canada and many of its officers and directors will be resident outside of Canada and their assets are outside of Canada. Serving process on the directors and officers may prove to be difficult or excessively time consuming. Additionally, it may be difficult to enforce a judgment obtained in Canada against the Resulting Issuer, its subsidiaries and any directors and officers residing outside of Canada.

Risks related to Business of Grown Rogue

Grown Rogue's Business is Illegal under U.S. Federal Law

Producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a federal crime in the United States. The United States federal government regulates drugs through the Controlled Substances Act (the "**Federal CSA**"), which places controlled substances, including cannabis, on one of five schedules. Cannabis is currently classified as a Schedule I controlled substance, which is viewed as having a high potential for abuse and having no currently accepted medical use in treatment in the United States. No prescriptions may be written for Schedule I substances, and such substances are subject to production

quotas imposed by the United States Drug Enforcement Administration (the "**DEA**"). Schedule I drugs are the most tightly restricted category of drugs under the Federal CSA. State and territorial laws that allow the use of medical cannabis or legalize cannabis for adult recreational use are in conflict with the Federal CSA, which makes cannabis use and possession illegal at the federal level. Because cannabis is a Schedule I controlled substance, however, the development of a legal cannabis industry under the laws of these states is in conflict with the Federal CSA, which makes cannabis use and possession illegal on a national level. Additionally, the Supremacy Clause of the United States Constitution establishes that the Constitution, federal laws made pursuant to the Constitution, and treaties made under the Constitution's authority constitute the supreme law of the land. The Supremacy Clause provides that state courts are bound by the supreme law; in case of conflict between federal and state law, including Oregon and other state law legalizing certain cannabis uses, the federal law must be applied.

Until Congress amends the Federal CSA with respect to marijuana use, there is a risk that federal authorities may enforce current federal law against companies such as Grown Rogue for violation of federal law or they may seek to bring an action or actions against Grown Rogue and/or its investors for violation of federal law or otherwise, including, but not limited to, a claim against investors for aiding and abetting another's criminal activities. The US federal aiding and abetting statute provides that anyone who commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal. Additionally, even if the U.S. federal government does not prove a violation of the Federal CSA, the U.S. federal government may seize, through civil asset forfeiture proceedings, certain assets such as equipment, real estate, moneys and proceeds, or your assets as an investor in the Resulting Issuer, if the U.S. federal government can prove a substantial connection between these assets or your investment and marijuana distribution or cultivation.

Because many states in the United States have approved certain medical or recreational uses of cannabis, the U.S. Department of Justice, through a memorandum dated August 29, 2013 and titled "Guidance Regarding Marijuana Enforcement" (the "**Cole Memorandum**"), had previously described a set of priorities for federal prosecutors operating in states that had legalized the medical or other adult use of cannabis. The Cole Memorandum represented a significant shift in U.S. federal government priorities away from strict enforcement of federal cannabis prohibition.

However, the Cole Memorandum was merely a directive regarding enforcement and did not overturn or invalidate the Federal CSA or any other federal law or regulation. The Cole Memorandum was rescinded by Jeff Sessions, the US Attorney General, in January 2018. The rescission of the Cole Memorandum, and comments made publicly by Mr. Sessions and other members of the Trump Administration, signal a significant shift by the U.S. federal government back to more strict enforcement of federal law, which is expected to have a material detrimental effect, financially, operational and otherwise, on state-approved cannabis businesses including Grown Rogue.

In Oregon, Billy J. Williams is the United States Attorney for the District of Oregon. He is a former Multnomah County (Oregon) Deputy District Attorney, who handled major violent crimes and later served as a Chief of the Violent Crimes Unit and as the Indian Country AUSA/Tribal Liaison for the Department of Justice prior to being appointed the federal prosecutor for Oregon.

On January 4, 2018, Mr. Williams provided the below statement on marijuana enforcement in the District of Oregon: "As noted by Attorney General Sessions, today's memo on marijuana

enforcement directs all U.S. Attorneys to use the reasoned exercise of discretion when pursuing prosecutions related to marijuana crimes. We will continue working with our federal, state, local and tribal law enforcement partners to pursue shared public safety objectives, with an emphasis on stemming the overproduction of marijuana and the diversion of marijuana out of state, dismantling criminal organizations and thwarting violent crime in our communities."

In an editorial published on January 12, 2018, Mr. Williams wrote: "In sum, I have significant concerns about the state's current regulatory framework and the resources allocated to policing marijuana in Oregon."

At a meeting on February 2, 2018, Mr. Williams told Oregon's top politicians and law enforcement officials that there's more cannabis being produced in the state than can legally be consumed. "And make no mistake about it, we're going to do something," Williams told dozens of politicians, tribal leaders, sheriffs as well as representatives of the FBI and the U.S. Drug Enforcement Administration. "Here's what I know, in terms of the landscape here in Oregon: We have an identifiable and formidable marijuana over-production and diversion problem," Williams said. "That's the fact. My responsibly is to work with our state partners to do something about it."

Because marijuana is illegal under U.S. federal law, investing in cannabis business could be found to violate the Federal CSA. As a result, individuals involved with cannabis business, including but not limited to investors and lenders, may be indicted under U.S. federal law. Your investment in the Resulting Issuer may: (a) expose you personally to criminal liability under U.S. federal law, resulting in monetary fines and jail time; and (b) expose any real and personal property used in connection with Grown Rogue's business to seizure and forfeiture to the U.S. federal government.

Active enforcement of the current federal law on cannabis may thus directly and adversely affect revenues and profits of Grown Rogue. The risk of strict enforcement of the Federal CSA remains uncertain.

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Risks Relating to Other Laws and Regulations

The industry in which Grown Rogue operates could subject Grown Rogue to comply with a myriad of other federal, state and local laws and regulations, which could include, among others, laws and regulations relating to cannabis, personally identifiable information, wage and hour restrictions, health and safety matters, consumer protection and environmental matters. Compliance with such laws and regulations may be costly and a failure to comply with such laws and regulations could result in fines, penalties, litigation and other liability that could materially adversely affect Grown Rogue.

Grown Rogue's business and products is and will continue to be regulated as applicable laws continue to change and develop. Regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. Further, Grown Rogue cannot predict what kind of regulatory requirements its business will be subject to in the future. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of Grown Rogue.

Local, state and US federal laws and enforcement policies concerning marijuana-related conduct are changing rapidly and will continue to do so for the foreseeable future. Changes in applicable law are unpredictable and could have a material adverse effect on Grown Rogue. Changes in applicable laws or regulations could significantly diminish Grown Rogue's prospects. Grown Rogue has little or no control over potential changes to laws or regulations that may affect its business.

Additionally, governmental regulations affect taxes and levies, healthcare costs, energy usage and labor issues, all of which may have a direct or indirect effect on Grown Rogue's business and its customers or suppliers. Changes in these laws or regulations, or the introduction of new laws or regulations, could increase the costs of doing business for Grown Rogue, or its customers or suppliers, or restrict Grown Rogue's actions, causing Grown Rogue to be materially adversely affected.

Current and Future Consumer Protection Regulatory Requirements

Grown Rogue may manufacture and sell food and other products for human consumption which involves the risk of injury to consumers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling or transportation phases. Even though Grown Rogue intends to grow and sell products that are safe, it has potential product liability risk from the consuming public. Grown Rogue could be party to litigation based on consumer claims, product liability or otherwise that could result in significant liability for Grown Rogue and adversely affect its financial condition and operations. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that Grown Rogue's products caused illness or injury could adversely affect its reputation with existing and potential customers and its corporate and brand image.

The US Food and Drug Administration (the "**FDA**") may now or in the future regulate the material content of Grown Rogue's products pursuant to the Federal Food, Drug and Cosmetic Act and the Consumer Product Safety Commission (the "**CPSC**"), regulates certain aspects of certain products intended for human consumption pursuant to various US federal laws, including the Consumer Product Safety Act and the Poison Prevention Packaging Act. The FDA and the CPSC can require the manufacturer of defective products to repurchase or recall these products and may also impose fines or penalties on the manufacturer. Similar laws exist in some states, cities and other countries in which Grown Rogue sells or intends to sell its products. In addition, certain state laws restrict the sale of packaging with certain levels of heavy metals and impose fines and penalties for noncompliance. A recall of any of Grown Rogue's products or any fines and penalties imposed in connection with noncompliance could have a materially adverse effect on its business.

Operational Risks

Grown Rogue will be affected by a number of operational risks and it may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, Grown Rogue's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on Grown Rogue's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on Grown Rogue's future cash flows, earnings and financial condition. Also, Grown Rogue may be subject to or affected by liability or sustain loss for certain risks and hazards against which Grown Rogue cannot insure or which it may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on Grown Rogue's future cash flows, earnings, results of operations and financial condition.

No Operating History

While Grown Rogue's principals have operated other successful cannabis companies, Grown Rogue is recently formed and has a limited operating history and has no record of prior performance as a separate enterprise. Grown Rogue faces the general risks associated with any new business operating in a competitive industry, including the ability to fund operations from unpredictable cash flow and capital-raising transactions. There can be no assurance that Grown Rogue will achieve its anticipated investment objectives or operate profitably. Grown Rogue's business must be considered in light of the risks, expenses, and problems frequently encountered by companies in their early stages of development. Specifically, such risks may include, among others:

- Grown Rogue's inability to fund operations from unpredictable cash flows;
- Grown Rogue's failure to anticipate and adapt to developing markets;
- Grown Rogue's inability to attract, retain and motivate qualified personnel; and
- Grown Rogue's failure to operate profitably in a competitive industry.

There can be no assurance that Grown Rogue will be successful in addressing these risks. To the extent it is unsuccessful in addressing these risks, Grown Rogue and the Resulting Issuer may be materially and adversely affected. There can be no assurance that Grown Rogue or the Resulting Issuer will ever achieve or sustain profitability.

Additional Financing

Grown Rogue's ability to implement its business plan will depend on the Resulting Issuer's ability to obtain additional financing. The Resulting Issuer cannot provide assurance that it will be able to secure additional financing on terms favorable to the Resulting Issuer or at all. If adequate funds are not available on acceptable terms, Grown Rogue's ability to continue and grow its businesses would be dependent on the cash flow, if any, from its operations, which may not be sufficient. If additional funds are raised through the issuance of shares, the percentage ownership of then-current shareholders may be reduced, such holders may experience additional dilution and such new securities may have rights, preferences or privileges senior to those of the Resulting Issuer's previously issued shares.

Grown Rogue will not be able to deduct many normal business expenses

Under Section 280E of the US Internal Revenue Code ("**Section 280E**"), many normal business expenses incurred in the trafficking of marijuana and its derivatives are not deductible in calculating federal and Oregon income tax liability. A result of Section 280E is that an otherwise profitable business may in fact operate at a loss, after taking into account its income tax expenses. Although Grown Rogue has accounted for Section 280E in its financial projections and models, the application of Section 280E may have a material adverse effect on Grown Rogue.

Reliance on Management

Grown Rogue's success substantially depends on the skills, talents, abilities and continued services of Obie Strickler and Grown Rogue's executive management team. Should one or more of these individuals become incapacitated, leave the employment of Grown Rogue or in some other way cease to participate sufficiently in the management and operation of Grown Rogue and Grown Rogue's inability to attract and retain qualified management personnel, could affect our ability to manage our business and could materially adversely affect our business, financial condition, cash flows, and results of operations. Grown Rogue's financial position, liquidity and results of operations depend on the executive management team's ability to execute its business strategy. Management's inability or failure to execute any element of Grown Rogue's business strategy could materially adversely affect Grown Rogue's financial position and results of operation.

External Factors

Grown Rogue's business strategy includes commercial scale production and sales of cannabis. The success of this strategy is subject to numerous external factors, such as the availability of suitable land packages, Grown Rogue's ability to attract, train and retain qualified personnel, the ability to access capital, the ability to obtain required state and local permits and licenses, the prevailing laws and regulatory environment of each jurisdiction in which Grown Rogue may operate, which are subject to change at any time, the degree of competition within the industries and markets in which Grown Rogue operates and its effect on Grown Rogue's ability to retain existing and attract new customers. Some of these factors are beyond Grown Rogue's control.

Failure to Manage Growth Effectively

The rapid execution necessary for Grown Rogue to successfully implement its business strategy requires an effective planning and management process. Grown Rogue anticipates significant growth and will be required to continually improve its financial and management controls, reporting systems and procedures on a timely basis, and to expand, train and manage its personnel. There can be no assurance that Grown Rogue's procedures or controls will be adequate to support operations. If Grown Rogue is unable to manage growth effectively, it could suffer a material adverse effect.

Changes in Industry Standards

The industry in which Grown Rogue operates could be subject to rapid changes, including, among others, changes in consumer requirements and preferences. There can be no assurance that the demand for any products or services offered by Grown Rogue will continue, or that the mix of Grown Rogue's future product and service offerings will satisfy evolving consumer preferences. The success of Grown Rogue will be dependent upon its ability to develop, introduce and market products and services that respond to such changes in a timely fashion.

Consumer preferences change from time to time and can be affected by a number of different and unexpected trends. Grown Rogue's failure to anticipate, identify or react quickly to these changes and trends, and to introduce new and improved products on a timely basis, could result in reduced demand for Grown Rogue's products, which would in turn cause Grown Rogue's revenues and profitability to suffer.

Dependence on Technology

Grown Rogue relies on information technology systems. All of these systems are dependent upon computer and telecommunications equipment, software systems and Internet access. The temporary or permanent loss of any component of these systems through hardware failures, software errors, the vulnerability of the Internet, operating malfunctions or otherwise could interrupt Grown Rogue’s business operations and materially adversely affect Grown Rogue.

Failure to Protect Intellectual Property

Because producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a crime under the Federal CSA, the U.S. Patent and Trademark Office will not permit the registration of any trademark that identifies marijuana products. As a result, Grown Rogue likely will be unable to protect the marijuana product trademarks beyond the geographic areas in which Grown Rogue conducts business. The use of Grown Rogue trademarks by one or more other persons could have a material adverse effect on Grown Rogue and the Resulting Issuer.

Even if Grown Rogue obtains federal, state or international trademark or copyright registrations for any products or services it develops, such registrations may not provide adequate protection. Grown Rogue may also rely on federal, state and international trade secret, trademark and copyright laws, as well as contractual obligations with employees and third parties, to protect intellectual property. Such laws and contracts may not provide adequate protection. Despite the efforts to protect its intellectual property, unauthorized parties may attempt to copy aspects of Grown Rogue’s products or services, or obtain and use information that Grown Rogue regards as proprietary. Grown Rogue’s efforts to protect its intellectual property from third-party discovery and infringement may be insufficient and third parties may independently develop products or services similar to Grown Rogue or duplicate their products or services. In addition, third parties may assert that Grown Rogue’s products or services infringe their intellectual property.

Vulnerability to Rising Energy Costs

Grown Rogue’s marijuana growing operations will consume considerable energy, making Grown Rogue vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of Grown Rogue and its ability to operate profitably. Increased energy costs would result in higher transportation, freight and other operating costs, including increases in the cost of ingredients and supplies. Grown Rogue's future operating expenses and margins could be dependent on its ability to manage the impact of such cost increases. If energy costs increase, there is no guarantee that such costs can be fully passed along to consumers through increased prices.

Agricultural Operations

Since Grown Rogue’s business will revolve mainly around the cultivation of cannabis, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include plant and other diseases, insect pests, adverse weather (including but not limited to

drought, high winds, earthquakes and/or wildfire) and growing conditions, and new government regulations regarding farming and the marketing of agricultural products, among others. There is a risk that these and other natural elements will have a material adverse effect on the production of Grown Rogue's products, which in turn could have a material adverse effect on its results of operations.

Security Risks

The business premises of Grown Rogue are a target for theft. While Grown Rogue has implemented security measures and continues to monitor and improve its security measures, its cultivation and processing facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and Grown Rogue fell victim to a robbery or theft, the loss of cash, cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of Grown Rogue.

Liability, Enforcement Complaints etc.

Grown Rogue’s participation in the marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities. Litigation, complaints, and enforcement actions could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Grown Rogue’s future cash flows, earnings, results of operations and financial condition

Licenses

Grown Rogue's success depends on its ability to obtain and maintain marijuana licenses from state and local authorities including the Oregon Liquor Control Commission (the "**OLCC**"). If Grown Rogue fails to obtain or maintain one or more marijuana production licenses from the OLCC or other applicable state or local government authorities, its business will be limited to Oregon's medical marijuana market only, which may not be a viable long-term business model. Grown Rogue's failure to obtain and maintain a marijuana license from the OLCC or other applicable state or local governmental authorities will have a material adverse effect on it.

Limited Customer Base; Oregon Retail Price Decline

The customers of Grown Rogue's cannabis production business will be limited to other state-licensed marijuana businesses that Grown Rogue operates in, which currently is limited to Oregon. Grown Rogue currently may not sell its products to any business or person located outside Oregon. Generally, Grown Rogue will not be able to sell any of its products outside of the state of production. Consequently, Grown Rogue's customer base is limited to the jurisdictions it operates in for any cannabis based products, which currently is only Oregon. The retail and wholesale prices in Oregon of cannabis products have declined substantially in recent months due to an imbalance between demand for the products and the supply of the products. Such price declines, if sustained, will have a material adverse effect on Grown Rogue.

Local Laws and Ordinances

Although legal under Oregon state law, local governments have the ability to limit, restrict, and ban medical or recreational cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on Grown Rogue.

Grown Rogue’s contracts may be unenforceable and property may be subject to seizure.

As the U.S. Federal CSA currently prohibits the production, processing and use of marijuana, contracts with third parties (suppliers, vendors, landlords, etc.) pertaining to the production, processing, or selling of marijuana-related products, including any leases for real property, may be unenforceable. In addition, if the U.S. federal government begins strict enforcement of the Federal CSA, any property (personal or real) used in connection with a marijuana-related business may be seized by and forfeited to the federal government. In this case, Grown Rogue’s inability to enforce contracts or any loss of business property (whether Grown Rogue’s or its vendors’) will have a material adverse effect on Grown Rogue.

Third party service providers to Grown Rogue may withdraw or suspend their service.

Because under U.S. federal law the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law, companies that provide goods and/or services to companies engaged in cannabis-related activities may, under threat of federal civil and/or criminal prosecution, suspend or withdraw their services. Any suspension of service and inability to procure goods or services from an alternative source, even on a temporary basis, that causes interruptions in Grown Rogue's operations could have a material and adverse effect on the business.

Grown Rogue’s business is highly regulated and it may not be issued necessary licenses, permits, and cards.

Grown Rogue's business and products are and will continue to be regulated as applicable laws continue to change and develop. Regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. Even if Grown Rogue obtains one or more licenses from the OLCC or other applicable state or local governmental authorities, no assurance can be given that it will receive all of the other licenses and permits that will be required to operate. Further Grown Rogue cannot predict what kind of regulatory requirements its business will be subject to in the future.

The marijuana industry faces significant opposition in the United States.

It is believed by many that large well-funded businesses may have strong economic opposition to the marijuana industry. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical marijuana industry. Any inroads the pharmaceutical industry could make in halting or impeding the marijuana industry could have a material adverse effect on Grown Rogue.

The size of the target market is difficult to quantify.

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies and, few, if any, established companies whose business model Grown Rogue can follow or upon whose success Grown Rogue can build. Accordingly, there can be no assurance that Grown Rogue's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Grown Rogue has numerous competitors. Its marijuana production business is not, by itself, unique.

Grown Rogue has numerous competitors throughout Oregon and other states utilizing a substantially similar business model. Excessive competition may impact sales and may cause

Grown Rogue to reduce prices. Any material reduction in prices could have a material adverse effect on Grown Rogue. We are operating in a highly competitive industry where we may compete with numerous other companies in the marijuana industry, who may have far greater resources, more experience, and personnel perhaps more qualified than we do. There can be no assurance that we will be able to successfully compete against these other entities. To remain competitive, we will require a continued high level of investment in research and development, marketing, sales and client support. We may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect our business, financial condition and results of operations.

Grown Rogue may not be able to obtain or maintain a bank account

Because producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a crime under the Federal CSA, most banks and other financial institutions are unwilling to provide banking services to marijuana businesses due to concerns about criminal liability under the Federal CSA as well as concerns related to federal money laundering rules under the U.S. Bank Secrecy Act. In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, many cannabis businesses still operate on an all-cash basis. Operating on an all-cash or predominantly-cash basis would make it difficult for Grown Rogue to manage its business, pay its employees and pay its taxes, and may create serious safety issues for Grown Rogue, its employees and its service providers. Although Grown Rogue currently has several bank accounts, its inability to maintain that bank accounts, or obtain and maintain other bank accounts, could have a material adverse effect.

The protections of US bankruptcy law may be unavailable.

As discussed above, the use of marijuana is illegal under U.S. federal law. Therefore, it may be argued that the federal bankruptcy courts cannot provide relief for parties who engage in marijuana or marijuana-related businesses. Recent bankruptcy court rulings have denied bankruptcies for dispensaries upon the justification that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for the same activity. In addition, some courts have reasoned that courts cannot ask a bankruptcy trustee to take possession of and distribute marijuana assets as such action would violate the Federal CSA. Therefore, Grown Rogue may not be able to seek the protection of the bankruptcy courts for the equal protection of creditors or debtor-in-possession financing or obtain credit from federal-charted financial institutions.

Grown Rogue may have a difficult time obtaining insurance which may expose Grown Rogue to additional risk and financial liabilities.

Insurance that is otherwise readily available, such as workers compensation, general liability, and directors and officers insurance, is more difficult for Grown Rogue to find, and more expensive, because it is in the cannabis industry. There are no guarantees that Grown Rogue will be able to find such insurance in the future, or that the cost will be affordable. If Grown

Rogue is forced to go without such insurance, it may prevent Grown Rogue from entering into certain business sectors, may inhibit its growth, may expose Grown Rogue to additional risk and financial liabilities and could have a material adverse effect.

Grown Rogue's websites are accessible in jurisdictions where medicinal or recreational use of marijuana is not permitted and, as a result Grown Rogue may be found to be violating the laws of those jurisdictions.

Grown Rogue's websites, which advertise its products for use in connection with marijuana, are visible in jurisdictions where the medical and recreational use of marijuana is unlawful. As a result, Grown Rogue may face legal action brought against it by such jurisdictions for engaging in an activity illegal in that jurisdiction. Such an action could have a material adverse effect.

Currency Fluctuations

Due to the Grown Rogue's operations in the United States, and its intention to continue future operations outside Canada, the Resulting Issuer may be exposed to significant currency fluctuations. All or substantially all of the Resulting Issuer's financings will be raised in Canadian dollars, but a substantial portion of Grown Rogue's operating expenses are incurred in US dollars. There is no expectation that the Resulting Issuer will put any currency hedging arrangements in place. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on the Resulting Issuer's business, financial condition and operating results. The Resulting Issuer may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Resulting Issuer develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Risks Associated with Acquisitions

As part of its overall business strategy, Grown Rogue may pursue select strategic acquisitions after the completion of the Transaction, which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Waiver of Oregon Securities Act

Investors in Subscription Receipts, GRUS Subscription Receipts and Resulting Issuer Shares have waived, or will waive, in their subscription and other Transaction-related documents the application of the Oregon Securities Act to the issuance of the Subscription Receipts, the GRUS Subscription Receipts and the shares of the Resulting Issuer and the other transactions contemplated in the subscription and other Transaction-related documents. Instead, each investor will confirm the protections afforded under the Canadian securities laws and/or the U.S. federal securities laws are adequate and appropriate given such holder's level of sophistication. Such waiver limits certain rights and remedies that might otherwise be available to an investor in the Resulting Issuer who acquires Resulting Issuer Shares in the Transaction.

Environmental Risks

Grown Rogue’s operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Grown Rogue’s operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Grown Rogue’s operations. To the extent such approvals are required and not obtained, Grown Rogue may be curtailed or prohibited from its proposed production of medical marijuana or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Grown Rogue may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of marijuana, or more stringent implementation thereof, could have a material adverse impact on Grown Rogue and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Border crossing for non-U.S. residents may create additional challenges.

Although cannabis use and sale is legal and regulated in numerous U.S. states, individuals who are not US residents and employed or involved with licensed cannabis companies could be denied entry or face lifetime bans from the U.S. for their involvement with such companies. There has been increasing anecdotal evidence of non-U.S. residents who are involved in the cannabis industry being denied entry at the U.S. border or facing lifetime bans from the U.S. after disclosing to U.S. border officials the nature of their work. The Resulting Issuer’s board is made up of both U.S. and non-U.S. residents, so there is no guarantee that certain members of the Resulting Issuer’s board would not be subject to such denials or bans. Should a director be prevented from entering the U.S., either in one instance or permanently, their ability to serve the Resulting Issuer as a board member could be hindered. This could equally impact any other non-U.S. resident employees employed by the Resulting Issuer.

The Resulting Issuer may suffer reduced profitability if it loses foreign private issuer status in the United States.

If, as of the last business day of the Resulting Issuer’s second fiscal quarter for any year, more than 50% of the Resulting Issuer’s outstanding voting securities (as defined in the 1933 Act) are directly or indirectly held of record by residents of the United States, the Resulting Issuer will no longer meet the definition of a "Foreign Private Issuer" under the rules of the SEC. If the Resulting Issuer fails to qualify for Foreign Private Issuer status, it will remain unqualified unless

it meets the test as of the last business day of its second fiscal quarter. This change in status could have a significant effect on the Resulting Issuer as it would significantly complicate the raising of capital through the offer and sales of securities and reporting requirements, resulting in increased audit, legal and administration costs. The ability of the Resulting Issuer to be profitable could be significantly affected.

United States Tax Classification of the Resulting Issuer

The Resulting Issuer, which is and will continue to be a Canadian corporation as of the date of this Listing Statement, generally would be classified as a non-United States corporation under general rules of United States federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non-United States corporation to be taxed as a United States corporation for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a corporation created or organized

outside the United States. (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an "Inversion") if each of the following three conditions are met (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the United States acquired corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non- United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities (clauses (i) – (iii), collectively, the "Inversion Conditions").

For this purpose, "expanded affiliated group" means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

The Resulting Issuer intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Resulting Issuer is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the "ITA") for Canadian income tax purposes. As a result, the Resulting Issuer will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

18. PROMOTERS

J. Obie Strickler, the sole manager of Grown Rogue and President and Chief Executive Officer of the Resulting Issuer may be considered to be a promoter of the Resulting Issuer in that he took the initiative in organizing the business of Grown Rogue. Additional information about Mr. Strickler is disclosed elsewhere in this Listing Statement, including in connection with his capacity as an officer and director of the Resulting Issuer.

19. LEGAL PROCEEDINGS

There are no legal proceedings material to the Resulting Issuer or any subsidiary of the Resulting Issuer to which it, or a subsidiary of the Resulting Issuer, is a party or of which any of their respective property is the subject matter, and no such proceedings are known by the Resulting Issuer to be contemplated.

Except as described below, there have been no (a) penalties or sanctions imposed against the Resulting Issuer by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof, (b) other penalties or sanctions imposed by a court or regulatory body against the Resulting Issuer necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed, or (c) settlement agreements the Resulting Issuer entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

On December 30, 2016, the Issuer announced that it applied to the Ontario Securities Commission (the "**OSC**") for a management cease trade order pursuant to National Policy 12-203 – Management Cease Trade Orders (the "**MCTO**"), as the Issuer was unable to file (i) its audited annual financial statements for the year ended August 31, 2016; (ii) the management discussion and analysis relating to the aforementioned audited financial statements; and (iii) certification of the foregoing filings as required by National Instrument 52-109 (collectively, the "**Required Filings**"). The request for the MCTO was denied by the OSC, and on January 9, 2017, the OSC issued a failure-to-file cease trade order ("**FFCTO**") against the Issuer for a failure to file the Required Filings. As a result of the FFCTO, no trading in the securities of the Issuer was permitted while the FFCTO remained in effect. On March 20, 2017, the OSC revoked the FFCTO pursuant to a revocation order after the Issuer filed the Required Filings.

20. INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS

20.1 Interest of Management and Others in Material Transactions

Other than as disclosed below and elsewhere in this Listing Statement no director, executive officer or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued Resulting Issuer Shares, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction within the three years from the date of this Listing Statement, or in any proposed transaction which has materially affected or would materially affect the Resulting Issuer or any of its subsidiaries.

J. Obie Strickler has contributed approximately $637,775 to Grown Rogue documented by a note dated June 1, 2017. This note has a three year term and accrues simple interest at the rate of 25% per annum. As of June 1, 2018, the original principal amount of this note and all accrued and unpaid interest was converted into 4,350,823 Common Units. See Section 3.2 – *General Development of Grown Rogue's Business – Promissory Note Offerings*.

J. Obie Strickler contributed approximately $250,000 to Grown Rogue documented by an unsecured convertible promissory note dated on or about October 1, 2017, which accrued simple interest at the rate of 50% per annum. On March 31, 2018, the principal and all accrued and unpaid interest was converted into 1,644,188 Common Units. See Section 3.2 – *General Development of Grown Rogue's Business – Promissory Note Offerings*.

J. Obie Strickler, and his wife, Sarah Strickler deferred all salary from Grown Rogue until October, 2017 and have accrued $90,000 and $18,000 in accrued liabilities, respectively.

Jacques Habra contributed approximately US$300,000 to Grown Rogue documented by an unsecured convertible promissory note dated November 7, 2017. The note bore simple interest accruing at a rate of 50%. Accrued interest was payable in monthly installments of US$12,500 until maturity. Immediately prior to the Transaction, the original principal amount of the note and all accrued and unpaid interest was converted into 1,585,714 Common Units. See Section 3.2 – *General Development of Grown Rogue's Business – Promissory Note Offerings*.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

The Resulting Issuer's Auditor is:

MNP LLP
111 Richmond Street West
Suite 300
Toronto ON M5H 2G4

The Resulting Issuer's Transfer Agent is:

TSX Trust Company
100 Adelaide Street West, Suite 301
Toronto, Ontario M5H 4H1

The Resulting Issuer's Co-Transfer Agent is:

Worldwide Stock Transfer, LLC
One University Plaza, Suite 505
Hackensack, NJ 07601

22. MATERIAL CONTRACTS

Material Contracts of the Issuer:

During the two year period preceding the filing date of this Listing Statement, the Issuer entered into no material contracts other than contracts entered into in the ordinary course, except for the following:

1. The Issuer negotiated an Asset Purchase Agreement to be effective February 29, 2016, with an expectation to acquire the Acquired Assets of the Vendor in an all-stock transaction by issuing 12,500,000 common shares and 5,750,000 Series A preferred shares of the Issuer to the Vendor (the "DWF Transaction"). On this basis the proposed Series A preferred shares would be convertible into units of ICE with each unit comprised of 1 common share and 1 common share purchase warrant entitling the holder to acquire an additional common share of ICE for $0.35 for up to 3 years.

The essential components of the proposed Acquired Assets were an intelligent content platform technology developed by Digital Widget Factory Inc. and a series of related websites under the url digiwdgy.com (the "DWF Technology"). The fair value of the DWF Transaction was estimated at $9,530,250 and to be paid through the issuance by the Issuer of the Proposed Purchase Price Shares.

Subsequent to February 29, 2016, the Issuer management concluded that certain representations and warranties made by the Vendor pursuant to the DWF Agreement were conceivably deficient and would not survive the one year period of Indemnification. Management contends that if the Issuer had this information as at February 29, 2016, management would not have likely completed the DWF Transaction and the Proposed Purchase Price Shares would not have been issued. On November 24, 2016, the Issuer advanced a Notice of Claim to the Vendor under the DWF Agreement.

On December 22, 2016, it was agreed by all that all disputed matters contained in the DWF Agreement, be resolved in a Settlement Agreement whereby the Issuer agreed to return the Acquired Assets to the Vendor and the Vendor agreed to return the Proposed Purchase Price Shares back to the Issuer such that best efforts were made so that each party be in the same or similar position it was as at February 29, 2016 had the DWF Transaction not occurred.

The Settlement Agreement closed effective January 20, 2017, when the Vendor returned to the Issuer the Proposed Purchase Price Shares comprised of 12,500,000 common shares and 5,750,000 Series A preferred shares previously issued to the Vendor and a full and final release in favor of the Issuer in respect of all obligations under the DWF Agreement. The Proposed Purchase Price Shares have been cancelled in the capital stock of the Issuer and the Issuer no longer has any interest in the DWF Technology and the series of digiwidgy.com websites.

2 June 1, 2016 Ice Studio Productions Inc. (ICE Productions) entered into an agreement with Yankees Entertainment and Sports Network LLC ("YES") of New York, whereby ICE Productions would provide 6 fully produced original half-hour television Programs tentatively titled "Stars in Pinstripes" from August 15, 2016 through to January 15, 2017. The Programs would be comprised of approximately 22.4 of content focussed on the New York Yankees, and include 4.00 of commercial inventory for ICE Productions and 3.20 of commercial, promo and station break inventory for YES. Furthermore, ICE Productions would pay YES US$8,000 for the airtime of each Program. Each Program would be aired on the YES Network and YES would have the right to telecast each Program locally and nationally by all means and media including cable, satellite and internet.

   ICE Productions in association with Catch Star Studios delivered 4 of the 6 Programs entitled Stars in Pinstripes to YES during the term of the agreement with one such Program starring Garth Brooks being nominated for a New York Emmy Award. The agreement with YES has expired.

3. The Definitive Agreement.

4. The GR Acquisition Agreements.

Material Contracts of Grown Rogue:

1. The Definitive Agreement.

2. The Agency Agreement.
3. The Technology License Agreement.
4. The Canopy Management Agreement.

23. INTEREST OF EXPERTS

No person, company or auditor named in this document as having prepared or certified a part of the document or a report described in this document and no responsible solicitor or any partner of a responsible solicitor's firm, holds any material beneficial interest, direct or indirect, in any securities or property of the Resulting Issuer or of an associate or affiliate of the Resulting Issuer.

24. OTHER MATERIAL FACTS

24.1 CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

THIS SECTION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE ISSUER'S SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE ISSUER SHARES ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

The following discussion is a summary of the material U.S. federal income tax considerations for U.S. Holders and Non-U.S. Holders (each as defined below) relating to the ownership and disposition of the Resulting Issuer Shares, but does not purport to be a complete analysis of all potential tax matters for consideration. The effects of tax laws, including by way of example only certain U.S. estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the United States Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the United States Internal Revenue Service (the "**IRS**"), in each instance in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of the Resulting Issuer Shares. The Resulting Issuer has not sought and will not seek any rulings from the IRS, or an opinion from legal counsel, regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of the Resulting Issuer Shares.

For purposes of this discussion, a "U.S. Holder" is any beneficial owner of Resulting Issuer Shares after giving effect to the Transaction that is, for U.S. federal income tax purposes: (i) an individual who is a U.S. resident or U.S. citizen; (ii) a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S., any state within the U.S. or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust that either (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes. This

discussion assumes that a U.S. Holder holds the Resulting Issuer Shares for investment for their own account. U.S. Holders holding Resulting Issuer Shares for any other purpose should consult with their own tax advisors, as different rules from those described below will likely apply.

Tax Classification as a U.S. Domestic Corporation

As a result of the Transaction, pursuant to Section 7874(b) of the Code and the Treasury Regulations promulgated thereunder, notwithstanding that the Resulting Issuer is organized under the provisions of the OBCA, solely for U.S. federal income tax purposes, it is anticipated that the Resulting Issuer will be treated as a U.S. domestic corporation.

The Resulting Issuer anticipates that it will experience a number of significant and complicated U.S. federal income tax consequences as a result of being treated as a U.S. domestic corporation for U.S. federal income tax purposes, and this summary does not attempt to describe all such U.S. federal income tax consequences.

Generally, the Resulting Issuer will be subject to U.S. federal income tax on its worldwide taxable income (regardless of whether such income is "U.S. source" or "foreign source") and will be required to file a U.S. federal income tax return annually with the IRS. The Resulting Issuer anticipates that it will also be subject to tax in Canada. It is unclear how the foreign tax credit rules under the Code will operate in certain circumstances, given the treatment of the Resulting Issuer as a U.S. domestic corporation for U.S. federal income tax purposes and the taxation of the Resulting Issuer in Canada. Accordingly, it is possible that the Resulting Issuer will be subject to double taxation with respect to all or part of its taxable income. It is anticipated that such U.S. and Canadian tax treatment will continue indefinitely and that the Resulting Issuer Shares will be treated indefinitely as shares in a U.S. domestic corporation for U.S. federal income tax purposes, notwithstanding future transfers. The remainder of this summary assumes that the Resulting Issuer will be treated as a U.S. domestic corporation for U.S. federal income tax purposes.

In addition, the Resulting Issuer's income tax basis (computed for U.S. tax purposes) in the assets that it acquired through its acquisition of the equity interests in Grown Rogue Unlimited LLC may be less than such assets' fair market value. Therefore, the Resulting Issuer's U.S. future income tax liability on its U.S. effectively connected income may be greater than if were not treated as a U.S. domestic corporation

Tax Considerations for U.S. Holders

Distributions

Distributions of cash or property on Resulting Issuer Shares will constitute dividends for U.S. federal income tax purposes to the extent paid from the Resulting Issuer's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends will generally be taxable to a non-corporate U.S. Holder at the preferential rates applicable to long-term capital gains, provided that such holder meets certain holding period and other requirements. Distributions in excess thereof will first constitute a return of capital and be applied against and reduce a U.S. Holder's adjusted tax basis in its Resulting Issuer Shares, but not below zero, and thereafter be treated as capital gain and will be treated as described under "– Sale or Other Taxable Disposition" below.

Dividends received by corporate U.S. Holders may be eligible for a dividends received deduction, subject to certain restrictions relating to, among others, the corporate U.S. Holder's taxable income, holding period and debt financing.

Sale or Other Taxable Disposition

Upon the sale or other taxable disposition of Resulting Issuer Shares, a U.S. Holder will generally recognize capital gain or loss equal to the difference between (i) the amount realized by such U.S. Holder in connection with such sale or other taxable disposition, and (ii) such U.S. Holder's adjusted tax basis in such stock. Such capital gain or loss will generally be long-term capital gain or loss if the U.S. Holder's holding period respecting such stock is more than twelve months. U.S. Holders who are individuals are eligible for preferential rates of taxation respecting their long-term capital gains. Deductions for capital losses are subject to limitations. Dispositions through redemption or taxable or partially taxable reorganizations are potentially subject to different special rules, and U.S. Holders should consult their own tax advisors about these rules. No such transactions are currently contemplated.

Foreign Tax Credit Limitations

Because it is anticipated that the Resulting Issuer will be subject to tax both as a U.S. domestic corporation and as a Canadian corporation, a U.S. Holder may pay, through withholding, Canadian tax, as well as U.S. federal income tax, with respect to dividends paid on its Resulting Issuer Shares. For U.S. federal income tax purposes, a U.S. Holder may elect for any taxable year to receive either a credit or a deduction for all foreign income taxes paid by the holder during the year. However, recent U.S. tax legislation placed significant limitations on taxpayers' ability to deduct foreign taxes. Moreover, complex limitations apply to the foreign tax credit, including a general limitation that the credit cannot exceed the proportionate share of a taxpayer's U.S. federal income tax that the taxpayer's foreign source taxable income bears to the taxpayer's worldwide taxable income. In applying this limitation, items of income and deduction must be classified, under complex rules, as either foreign source or U.S. source. The status of the Resulting Issuer as a U.S. domestic corporation for U.S. federal income tax purposes will cause dividends paid by the Resulting Issuer to be treated as U.S. source rather than foreign source for this purpose. As a result, a foreign tax credit may be unavailable for any Canadian tax paid on dividends received from the Resulting Issuer. Similarly, to the extent a sale or disposition of the Resulting Issuer Shares by a U.S. Holder results in Canadian tax payable by the U.S. Holder (for example, because the Resulting Issuer Shares constitute "taxable Canadian property" within the meaning of the *Income Tax Act* (Canada)), a U.S. foreign tax credit may be unavailable to the U.S. Holder for such Canadian tax. In each case, however, the U.S. Holder may be able to take a deduction for the U.S. Holder's Canadian tax paid, provided that the U.S. Holder has not elected to credit other foreign taxes during the same taxable year.

The foreign tax credit and foreign tax deduction rules are complex, and each U.S. Holder should consult its own tax advisors regarding these rules.

Information Reporting and Backup Withholding

U.S. backup withholding (currently at a rate of 24%) is imposed upon certain payments to persons that fail (or are unable) to furnish the information required pursuant to U.S. information reporting requirements. Distributions to U.S. Holders will generally be exempt from backup withholding, provided the U.S. Holder meets applicable certification requirements, including providing a U.S. taxpayer identification number on a properly completed IRS Form W-9, or otherwise establishes an exemption. The Resulting Issuer must report annually to the IRS and

to each U.S. Holder the amount of distributions and dividends paid to that U.S. Holder and the proceeds from the sale or other disposition of Resulting Issuer Shares, unless such U.S. Holder is an exempt recipient.

Backup withholding does not represent an additional tax. Any amounts withheld from a payment to a U.S. Holder under the backup withholding rules will generally be allowed as a credit against such U.S. Holder's U.S. federal income tax liability, and may entitle such U.S. Holder to a refund, provided the required information and returns are timely furnished by such U.S. Holder to the IRS.

Tax Considerations for Non-U.S. Holders

For purposes of this discussion, a "Non-U.S. Holder" is any beneficial owner of Resulting Issuer Shares after giving effect to the Transaction that is neither a "U.S. Holder" nor an entity treated as a partnership for U.S. federal income tax purposes.

Distributions

Distributions of cash or property on Resulting Issuer Shares will constitute dividends for U.S. federal income tax purposes to the extent paid from the Resulting Issuer's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess thereof will first constitute a return of capital and be applied against and reduce a Non-U.S. Holder's adjusted tax basis in its Resulting Issuer Shares, but not below zero, and thereafter be treated as capital gain and will be treated as described under "– Sale or Other Taxable Disposition" below.

Subject to the discussions under "– Information Reporting and Backup Withholding" and under "– FATCA" below, any dividend paid to a Non-U.S. Holder of Resulting Issuer Shares that is not effectively connected with the Non-U.S. Holder's conduct of a trade or business within the U.S. will be subject to U.S. federal withholding tax at a rate of 30%, or such lower rate as may be specified under an applicable income tax treaty. In order to receive a reduced treaty rate, a Non-U.S. Holder must provide its financial intermediary with an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or an appropriate successor form), properly certifying such holder's eligibility for the reduced rate. If a Non-U.S. Holder holds Resulting Issuer Shares through a financial institution or other agent acting on the Non-U.S. Holder's behalf, the Non-U.S. Holder will be required to provide appropriate documentation to such agent, and the Non-U.S. Holder's agent will then be required to provide such (or a similar) certification to us, either directly or through other intermediaries. A Non-U.S. Holder that does not timely furnish the required certification, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their own tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. (or, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment, or fixed base, of the Non-U.S. Holder) generally will be exempt from the withholding tax described above and instead will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if the Non-U.S. Holder were a U.S. person. In such case, the Resulting Issuer will not have to withhold U.S. federal tax so long as the Non-U.S. Holder timely complies with the applicable certification and disclosure requirements. In order to obtain this exemption from withholding tax, a Non-U.S. Holder must provide its financial intermediary with an IRS Form W-8ECI properly certifying its eligibility for such exemption. Any such effectively

connected dividends received by a corporate Non-U.S. Holder may be subject to an additional "branch profits tax" at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty), as adjusted for certain items. Non-U.S. Holders should consult their own tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

Subject to the discussions under "– Information Reporting and Backup Withholding" and under "– FATCA" below, any gain realized on the sale or other disposition of Resulting Issuer Shares by a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless: (i) the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. (or, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment, or fixed base, of the Non-U.S. Holder); (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition, and certain other conditions are met; or (iii) the rules of the Foreign Investment in Real Property Tax Act of 1980 ("**FIRPTA**") apply to treat the gain as effectively connected with a U.S. trade or business.

A Non-U.S. Holder who has gain that is described in the first bullet point immediately above will be subject to U.S. federal income tax on the gain derived from the sale or other disposition pursuant to regular graduated U.S. federal income tax rates in the same manner as if it were a U.S. person. In addition, a corporate Non-U.S. Holder described in the first bullet point immediately above may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits (or at such lower rate as may be specified by an applicable income tax treaty), as adjusted for certain items.

A Non-U.S. Holder who meets the requirements described in the second bullet point immediately above will be subject to a flat 30% tax (or a lower tax rate specified by an applicable tax treaty) on the gain derived from the sale or other disposition, which gain may be offset by certain U.S. source capital losses (even though the individual is not considered a resident of the U.S.), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, pursuant to FIRPTA, in general, a Non-U.S. Holder is subject to U.S. federal income tax in the same manner as a U.S. Holder on any gain realized on the sale or other disposition of a "U.S. real property interest" ("**USRPI**"). For purposes of these rules, a USRPI generally includes stock in a U.S. corporation (like Resulting Issuer Shares) assuming the U.S. corporation's interests in U.S. real property constitute 50% or more, by value, of the sum of the U.S. corporation's (i) assets used in a trade or business, (ii) U.S. real property interests, and (iii) interests in real property outside of the U.S. A U.S. corporation whose interests in U.S. real property constitute 50% or more, by value, of the sum of such assets is commonly referred to as a U.S. real property holding corporation ("**USRPHC**"). The Resulting Issuer is not, and does not anticipate becoming as a result of the Transaction, a USRPHC.

Information Reporting and Backup Withholding

With respect to distributions and dividends on Resulting Issuer Shares, the Resulting Issuer must report annually to the IRS and to each Non-U.S. Holder the amount of distributions and dividends paid to such Non-U.S. Holder and any tax withheld with respect to such distributions and dividends, regardless of whether withholding was required with respect thereto. Copies of the information returns reporting such dividends and distributions and withholding also may be made available to the tax authorities in the country in which the Non-U.S. Holder resides or is

established under the provisions of an applicable income tax treaty, tax information exchange agreement or other arrangement. A Non-U.S. Holder will be subject to backup withholding for dividends and distributions paid to such Non-U.S. Holder unless either (i) such Non-U.S. Holder certifies under penalty of perjury that it is not a U.S. person (as defined in the Code), which certification is generally satisfied by providing a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E, or IRS Form W-8ECI (or appropriate successor form), and the payor does not have actual knowledge or reason to know that such holder is a U.S. person, or (ii) such Non-U.S. Holder otherwise establishes an exemption.

With respect to sales or other dispositions of Resulting Issuer Shares, information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale or other disposition of Resulting Issuer Shares within the U.S. or conducted through certain U.S.-related financial intermediaries, unless either (i) such Non-U.S. Holder certifies under penalty of perjury that it is not a U.S. person (as defined in the Code), which certification is generally satisfied by providing a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E, or IRS Form W-8ECI (or appropriate successor form), and the payor does not have actual knowledge or reason to know that such holder is a U.S. person, or (ii) such Non-U.S. Holder otherwise establishes an exemption.

Whether with respect to distributions and dividends, or the sale or other disposition of Resulting Issuer Shares, backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, if any, provided the required information is timely furnished to the IRS.

Foreign Account Tax Compliance Act ("FATCA")

Withholding taxes may be imposed pursuant to FATCA (Sections 1471 through 1474 of the Code) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, except as discussed below, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition (including certain distributions treated as a sale or other disposition) of, Resulting Issuer Shares paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code).

Such 30% FATCA withholding will not apply to a foreign financial institution if such institution undertakes certain diligence and reporting obligations, or otherwise qualifies for an exemption from these rules. The diligence and reporting obligations include, among others, entering into an agreement with the U.S. Department of Treasury pursuant to which the foreign financial institution must (i) undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), (ii) annually report certain information about such accounts, and (iii) withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the U.S. governing FATCA may be subject to different rules.

The 30% FATCA withholding will not apply to a non-financial foreign entity which either certifies that it does not have any "substantial United States owners" (as defined in the Code), furnishes identifying information regarding each substantial United States owner, or otherwise qualifies for an exemption from these rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA (i) generally applies currently to payments of dividends on Subordinate Voting Shares,

and (ii) will apply to payments of gross proceeds from the sale or other disposition of such stock (including certain distributions treated as a sale or other disposition) on or after January 1, 2019.

25. FINANCIAL STATEMENTS

25.1 Financial Statements of the Issuer

Enclosed as Appendix "A" are the: (i) audited financial statements of the Issuer for the years ended August 31, 2017, 2016 and 2015 and (ii) the unaudited financial statements of the Issuer for the three and nine month periods ended May 31, 2018.

Enclosed as Appendix "D" is a copy of the unaudited pro forma consolidated statement of financial position as at July 31, 2018.

25.2 Financial Statements of Grown Rogue

Enclosed as Appendix "C" is a copy of the (i) audited financial statements for Grown Rogue for the period from incorporation to October 31, 2017 and (ii) the unaudited financial statements of Grown Rogue for the three and nine month periods ended July 31, 2018.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, GROWN ROGUE INTERNATIONAL INC. hereby applies for the listing of the above mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to GROWN ROGUE INTERNATIONAL INC. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Medford, Oregon this 15th day of November, 2018.

"J. Obie Strickler"

J. Obie Strickler
Chief Executive Officer

"J. Obie Strickler"

J. Obie Strickler
Promoter

Dated at Toronto, Ontario this 15th day of November, 2018.

"Michael Johnston"

Michael Johnston
Chief Financial Officer, Secretary

"Stephen Gledhill"	"*Abhilash Patel*"
Stephen Gledhill	Abhilash Patel
Director	Director

CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to GROWN ROGUE UNLIMITED, LLC. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Medford, Oregon this 15th day of November, 2018.

"J. Obie Strickler"

J. Obie Strickler

Chief Executive Officer, President and sole Manager

Dated at Toronto, Ontario this 15th day of November, 2018.

"Michael Johnston"

Michael Johnston

Chief Financial Officer

Appendix "A"

(Formerly: Intelligent Content Enterprises Inc.)

Consolidated Financial Statements

For the years ended August 31, 2017, 2016 and 2015

(Expressed in Canadian Dollars)

Consolidated Financial Statements
For the years ended August 31, 2017, 2016 and 2015
(Expressed in Canadian Dollars)

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Report of Independent Registered Public Accounting Firm

To the Shareholders of Novicius Corp. (formerly Intelligent Content Enterprises Inc.):

We have audited the accompanying consolidated financial statements of Novicius Corp. (formerly Intelligent Content Enterprises Inc.), which comprise the consolidated statement of financial position as at August 31, 2017, and the consolidated statements of operations and other comprehensive income (loss), changes in shareholders' deficiency, and cash flows for the year 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 as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). 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 auditors' 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 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 Novicius Corp. (formerly Intelligent Content Enterprises Inc.), as at August 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on the Company's ability to continue as a going concern.

Other Matter

The consolidated financial statements of Novicius Corp. (formerly Intelligent Content Enterprises Inc.) as at August 31, 2016 and 2015, and for the years then ended, were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements in their report dated March 13, 2017.

MNP LLP

Toronto, Ontario
December 28, 2017

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

(formerly: Intelligent Content Enterprises Inc.)

Consolidated Statements of Financial Position (Expressed in Canadian Dollars)	**August 31, 2017**	August 31, 2016
Assets		
Current Assets		
Cash	$1,040	$449,983
Other receivables	41,007	14,800
Prepaid expenses and deposits	-	17,799
Total current assets	42,047	482,582
Total Assets	**$42,047**	**$482,582**
Liabilities and Shareholders' Deficiency		
Current liabilities		
Trade and other payables	$529,823	$1,173,231
Total current liabilities	529,823	1,173,231
Total liabilities	529,823	1,173,231
Shareholders' deficiency		
Common shares (Note 11 a)	23,651,529	23,220,683
Share purchase warrants (Note 11 b)	749,866	2,925,837
Share purchase options (Note 11 d)	1,611,450	828,334
Contributed surplus	5,184,363	1,921,743
Accumulated deficit	(31,684,984)	(29,587,246)
Total shareholders' deficiency	(487,776)	(690,649)
Total Liabilities and Shareholders' Deficiency	**$42,047**	**$482,582**

Going Concern (Note 1 b)
Related Party Transactions and Balances (Note 8)
Discontinued Operations and Dissolution of subsidiary (Note 15)
Subsequent Events (Note 16)

The accompanying notes are an integral part of these consolidated financial statements

Approved by the Board of Directors

(signed) "Ritwik Uban"
Ritwik Uban, President and Director

(signed) "James Cassina"
James Cassina, Chief Financial Officer and Director

(formerly: Intelligent Content Enterprises Inc.)

Consolidated Statements of Operations and Other Comprehensive Income (Loss)
For the years ended August 31,
(Expressed in Canadian Dollars)

	2017	2016	2015 Restated (Note 1 c)
Continuing operations			
Revenue			
Advertising revenue	$20,788	$-	$-
Natural gas sales	-	-	53,055
Total revenue	20,788	-	53,055
Expenses			
Operating costs	-	-	24,910
Research, content development and technology support	313,106	160,519	-
Hosting, advertising and technology services	71,423	45,272	-
General and administrative	508,241	418,206	89,007
Loss on foreign exchange	1,433	21,890	415,345
Stock based compensation (Note 11 e)	1,614,605	615,924	84,520
Stock based compensation-non employees (Note 11 e)	235,393	-	28,173
Anti-dilution fees (Note 11 b (j) and Note 11 b (k))	186,832	-	-
Gain on derecognition of financial liabilities (Note 15)	(893,990)	-	-
Impairment loss on secured note receivable (Note 7)	81,483	-	-
Gain on disposal of subsidiary (Note 15 b)	-	(68,489)	(615,881)
Gain on expiry of derivative liabilities (Note 10)	-	(281,210)	(1,258,206)
Interest	-	12,812	280,299
Loss on settlement of debt (Note 8 and 9)	-	12,489,249	-
Impairment loss on marketable securities (Note 6)	-	120,125	-
Gain on derivative liabilities (Note 10)	-	-	(2,653,591)
Marketing and public relations	-	-	(22,800)
Accretion of convertible secured note (Note 9)	-	-	475,755
Gain on settlement of litigation	-	-	(120,125)
	2,118,526	13,534,298	(3,272,594)
Net income (loss) from continuing operations	(2,097,738)	(13,534,298)	3,325,649
Net income (loss) from discontinued operations net of tax (Note 15)	-	2,711	(4,762,461)
Net loss	(2,097,738)	(13,531,587)	(1,436,812)
Other comprehensive income (loss) to be re-classified to operations			
Impairment loss on marketable securities (Note 6)	-	110,525	(110,525)
Foreign currency translation			
Discontinued operations	-	-	(4,692)
Total other comprehensive income (loss)	-	110,525	(115,217)
Net loss from operations and other comprehensive income (loss)	**$(2,097,738)**	**$(13,421,062)**	$(1,552,029)
Earnings (loss) per share, basic			
Continuing operations	$(0.788)	$(6.516)	$12.006
Discontinued operations	$0.000	$0.001	(17.194)
Total loss per share, basic	**$(0.788)**	$(6.515)	$(5.188)
Earnings (loss) per share, diluted			
Continuing operations	$(0.788)	$(6.516)	$8.855
Discontinued operations	$0.000	$0.001	(17.194)
Total (loss) per share, diluted	**$(0.788)**	$(6.515)	($8.339)
Weighted average shares outstanding, basic	**2,663,614**	2,077,096	276,989
Weighted average shares outstanding, diluted	**2,663,614**	2,077,096	375,551

The accompanying notes are an integral part of these consolidated financial statements

(formerly: Intelligent Content Enterprises Inc.)

Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended August 31, 2017, 2016 and 2015
(Expressed in Canadian Dollars)

	SHARE CAPITAL Number of Common Shares*	SHARE CAPITAL Common Shares $	SHARE PURCHASE WARRANTS $	SHARE PURCHASE OPTIONS $	CONTRI-BUTED SURPLUS $	FOREIGN CURRENCY TRANS-LATION RESERVE $	AVAIL-ABLE FOR SALE RESERVE $	ACCU-MULATED DEFICIT $	TOTAL SHARE-HOLDERS' EQUITY (DEFICIENCY) $
Balance, August 31, 2014	277,295	9,072,181	1,970,968	170,972	680,599	4,692	-	(14,618,847)	(2,719,435)
Stock options expired	-	-		(11,112)	11,112	-	-	-	-
Warrants expired	-	-	(1,169,889)	-	1,169,889	-	-	-	-
Stock based compensation	-	-	-	112,693	-	-	-	-	112,693
Shares to be issued as debt extinguishment	100,000	925,611	-	-	-	-	-	-	925,611
Unrealized loss on marketable securities	-	-	-	-	-	-	(110,525)	-	(110,525)
Foreign currency translation									
-discontinued operations	-	-	-	-	-	(4,692)	-	-	(4,692)
Net loss for the period, continuing operations	-	-	-	-	-	-	-	3,325,649	2,067,443
Net loss for the period, discontinued operations	-	-	-	-	-	-	-	(4,762,461)	(4,762,461)
Balance, August 31, 2015	377,295	9,997,792	801,079	272,553	1,861,600	-	(110,525)	(16,055,659)	(3,233,160)
Item re-classified to statements of operations:								-	
-loss on marketable securities	-	-	-	-	-	-	110,525	-	110,525
Shares issued as debt extinguishment	954,311	6,371,457	-	-	-	-	-	-	6,371,457
Shares issued as private placement	500,000	50,000	-	-	-	-	-	-	50,000
Shares issued as anti-dilution provision	1,032,998	5,034,157	1,862,643	-	-	-	-	-	6,896,800
Units issued as private placement	10,000	9,044	20,956	-	-	-	-	-	30,000
Units issued as private placement	23,636	133,271	126,729	-	-	-	-	-	260,000
Units issued as debt extinguishment	150,519	638,295	582,414	-	-	-	-	-	1,220,709
Exercise of warrants	51,868	986,667	(467,984)	-	-	-	-	-	518,683
Stock options expired	-	-	-	(60,143)	60,143	-	-	-	-
Stock based compensation	-	-	-	615,924	-	-	-	-	615,924
Net loss for the period, continuing operations	-	-	-	-	-	-	-	(13,534,298)	(13,534,298)
Net loss for the period, discontinued operations	-	-	-	-	-	-	-	2,711	2,711
Balance, August 31, 2016	2,650,627	23,220,683	2,925,837	828,334	1,921,743	-	-	(29,587,246)	(690,649)
Stock based compensation	-	-	-	1,849,998	-	-	-	-	1,849,998
Units issued as private placement	7,692	30,233	19,767	-	-	-	-	-	50,000
Stock options expired	-	-	-	(1,066,882)	1,066,882	-	-	-	-
Warrants expired	-	-	(2,195,738)	-	2,195,738	-	-	-	-
Shares issued as settlement of shareholder advances	1,187,672	213,781	-	-	-	-	-	-	213,781
Shares issued as anti-dilution provision	1,420,809	184,705	-	-	-	-	-	-	184,705
Units issued as anti-dilution provision	16,364	2,127	-	-	-	-	-	-	2,127
Net loss for the period, continuing operations	-	-	-	-	-	-	-	(2,097,738)	(2,097,738)
Balance, August 31, 2017	**5,283,164**	**23,651,529**	**749,866**	**1,611,450**	**5,184,363**	**-**	**-**	**(31,684,984)**	**(487,776)**

***Reflects the May 26, 2017 one (1) for ten (10) consolidation and the February 1, 2016, one (1) for ten (10) consolidation**

The accompanying notes are an integral part of these consolidated financial statements

(formerly: Intelligent Content Enterprises Inc.)

Consolidated Statements of Cash Flows
For the years ended August 31,
(Expressed in Canadian Dollars)

	2017	2016	2015 Restated (Note 1 c)
Cash provided by (used in)			
Operating activities			
Net income (loss) from continuing operations	$(2,097,738)	$(13,534,298)	$3,325,649
Net income (loss) from discontinued operations (Note 15)	-	2,711	(4,762,461)
Net loss	(2,097,738)	(13,531,587)	(1,436,812)
Items not involving cash:			
Stock based compensation (Note 11 e)	1,849,998	615,924	112,693
Anti-dilution fees	186,832	-	-
Gain on derecognition of financial liabilities (Note 15)	(893,990)	-	-
Impairment loss on secured note receivable (Note 7)	81,483	-	-
Loss on settlement of debt (Note 8 and Note 9)	-	12,489,249	-
Impairment loss on marketable securities (Note 7)	-	120,125	-
Gain on disposal of subsidiary (Note 16)	-	(68,489)	(615,881)
Gain on expiry of derivative liabilities (Note 10)	-	(281,210)	(1,258,206)
Depletion and accretion	-	-	1,498
Gain on derivative liabilities (Note 10)	-	-	(2,653,591)
Accretion of secured note	-	-	475,755
Decommissioning obligation expenditure	-	-	(205)
Gain on settlement of litigation	-	-	(120,125)
Unrealized loss on marketable securities	-	-	167,815
Impairment loss on exploration and evaluation assets (Note 15 a)	-	-	4,490,045
Working capital adjustments:			
(Increase) decrease in other receivables	(26,202)	4,586	124,753
Increase in trade and other payables	250,577	198,704	153,479
Decrease in prepaid expenses and deposits	17,799	14,138	12,899
Decrease in deferred revenue	-	-	(177,804)
Net cash used in operating activities	(631,241)	(438,560)	(723,687)
Investing activities			
Secured note receivable (Note 6)	(81,483)	-	-
Additions to exploration and evaluations assets	-	-	(109,874)
Net cash used in investing activities	(81,483)	-	(109,874)
Financing activities			
Shares issued as settlement of shareholder advances	213,781	-	-
Private placement of units	50,000	290,000	-
Warrants exercised		518,683	-
Private placement of shares	-	50,000	-
Shareholders' loans	-	-	502,908
Loans payable	-	-	196,998
Net cash provided by financing activities	263,781	858,683	699,906
Increase (decrease) in cash for the year	(448,943)	420,123	(133,655)
Net effect of exchange rate changes on cash	-	(2,332)	62,632
Cash, beginning of year	449,983	32,192	103,215
Cash, end of year	**$1,040**	$449,983	$32,192

The accompanying notes are an integral part of these consolidated financial statements

1. a) Nature of Business

Novicius Corp., (formerly: Intelligent Content Enterprises Inc.) was amalgamated under the Business Corporations Act (*Ontario)* on November 30, 2009 ("Novicius" or the "Company"). The Company filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. The Company filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. Through the Company's wholly owned Ontario subsidiary, DoubleTap Daily Inc., (formerly: Digital Widget Factory Inc.) the Company has developed an online content management and advertising platform that powers user and advertising engagement programs in real-time to desktop, mobile and portable devices (http://doubletap.co).

The Company's registered office is located at 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1. The Company's common shares trade on the OTCQB under the symbol NVSIF and on the Canadian Securities Exchange under the symbol NVS.

The consolidated financial statements include the accounts of Novicius, the legal parent, together with its wholly-owned subsidiaries, Ice Studio Productions Inc. incorporated in the Province of Ontario on June 16, 2016 ("ICE Studio") and DoubleTap Daily Inc. incorporated in the Province of Ontario on February 29, 2016, ("DoubleTap").

Effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta Ltd., a company operating in the province of Alberta ("1354166 Alberta"). The Company's former subsidiaries, Eagleford Energy, Zavala Inc., a Nevada company ("Zavala Inc."), and its' wholly owned subsidiary EEZ Operating Inc., a Texas company ("EEZ Operating") were disposed of effective August 31, 2015 (Note 15).

b) Going Concern

These consolidated financial statements (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of developing its advertising platform and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of development, content creation and marketing of its platform.

Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, or other means of funding its operations, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

The Company has accumulated significant losses and negative cash flows from operations in recent years which raise doubt as to the validity of the going concern assumption. As at August 31, 2017, the Company has working capital deficiency of $487,776 (2016: working capital deficiency $690,649) and an accumulated deficit of $31,684,984, (2016: $29,587,246). These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. The Consolidated Financial Statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying Consolidated Financial Statements.

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 interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"). The policies applied in these Consolidated Financial Statements are based on IFRS issued and outstanding as of January 1, 2017. The Board of Directors approved the Consolidated Financial Statements on December 28, 2017.

Basis of Measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

Functional and Presentation Currency

The functional and presentation currency of the parent Novicius and its wholly owned subsidiaries ICE Studio and DoubleTap is Canadian dollars.

3. Summary of Significant Accounting Policies

Basis of Consolidation

Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of the subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the Consolidated Financial Statements. The Consolidated Financial Statements include the accounts of the Company, the legal parent, together with its wholly-owned subsidiaries, Ice Studio and DoubleTap.

Revenue Recognition

Revenue is recognized when there is persuasive evidence that an arrangement exists which is when a contract or sales order is signed by both parties, delivery has occurred, ownership has been transferred to the customer, price is fixed or determinable and ultimate collection is reasonably assured at the time of delivery.

Revenue from advertising revenue were recognized when services were provided.

Foreign Currency

Items included in the Consolidated Financial Statements of each of the Company's wholly owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in profit or loss.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the foreign currency translation reserve under other comprehensive income.

Significant Accounting Estimates and Judgements

The preparation of the Consolidated Financial Statements in accordance with IFRS requires that management make estimates and assumptions and use judgment regarding the measured amounts of assets, liabilities and contingent liabilities at the date of the Consolidated Financial Statements and reported amounts of revenue and expenses during the reporting period. Such estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Consolidated Financial Statements are:

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is an uncertainty regarding the Corporation's ability to continue as a going concern (see Note 1 b).

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Fair Value of Derivative Liabilities

The Company is exposed to risks related to changes in its share prices, foreign exchange rates, interest rate and volatility rates used to determine the estimated fair value of its derivative liabilities. In the determination of the fair value of these instruments, the Company utilizes certain independent values and, when not available, internal financial models which are based primarily on observable market data. Management's judgment is required in the development of these models. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, discount rates and dividend yield.

Settlement of Debt with Equity Instruments

Equity instruments issued to a creditor to extinguish a financial liability are measured at the fair value of the equity instruments at the date the financial liability is extinguished. The Company estimates the fair value of warrants using the Binomial Lattice pricing model and further assumptions including the expected life, volatility, discount rates and dividend yield. The fair value of the units comprising shares and warrants issued in connection with the extinguishment of a financial liability are then prorated to the total market value of the common shares.

Fair Value of Stock Based Compensation and Warrants

In determining the fair value of share based payments the calculated amounts are not based on historical cost, but is derived based on assumptions (such as the expected volatility of the price of the underlying security, expected hold period before exercise, dividend yield and the risk-free rate of return) input into a pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options and compensation warrants before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period; dividend yield; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or compensation warrants and they are not transferable. Similar calculations are made in estimating the fair value of the warrant component of an equity unit. The assumptions used in these calculations are inherently uncertain. Changes in these assumptions could materially affect the related fair value estimates.

Income Tax
Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax‐related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made

Earnings (Loss) per Share
The basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The diluted earnings per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation.

Discontinued Operations
A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Effective August 31, 2015, the Company assigned all of its right, title and interest in Zavala Inc., as partial settlement of a secured convertible note payable and effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta and accordingly their operations have been treated as discontinued operations.

Financial Instruments
Classification and Measurement
Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit and loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "other financial liability" as defined by IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at "fair value through profit or loss" and are measured at fair value with changes in fair value recognized in the statement of operations. Transaction costs are expensed when incurred. The Company has classified cash and derivative liabilities as "fair value through profit and loss".

Financial instruments classified as "loans and receivables", "held-to-maturity", or "financial liabilities" are measured at amortized cost using the effective interest rate method of amortized cost. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity.

"Other financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through profit or loss". The Company has classified trade and other payables as "other financial liabilities".

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. The Company has classified its marketable securities as "available for sale".

Cash
Cash in the statement of financial position comprise cash held in banking institutions.

Marketable Securities
At each financial reporting period, the Company estimates the fair value of investments which are available-for-sale, which could be based on quoted closing bid ask spread prices or other measures for unquoted instruments. Adjustments to the fair value of the marketable securities at the financial position date are recorded to other comprehensive income until re-classified to the statement of operations.

Derivative Financial Instruments
The Company's derivative instruments consist of derivative liabilities in relation to its i) anti-dilution units issued; and ii) its previous secured convertible note payable; and iii) share purchase warrants with a US Dollar exercise price.

i) The Company has issued Units that contain an anti-dilution provision such that if within 18 months of the issue date, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than issue price (the "Adjusted Price") the Holder shall be entitled to receive (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under the agreement will equal the number of Units that the Holder would otherwise be entitled to receive had the transaction occurred at the Adjusted Price. The anti-dilution provision is considered a derivative and requires fair value measurement at each reporting period. During the reporting periods August 31, 2016 and 2015 the Company determined that based on the market price being greater than the issue price per share, no additional common shares were required to be fair valued and recorded as a derivative liability.

ii) The Company had a secured convertible note payable that had a conversion feature which could convert any unpaid principal and accrued interest into conversion units. A conversion unit was comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The price of the conversion unit was the lesser of a price equal to the 30-day rolling weighted average price of the Company's common shares as of the date of conversion, less 20% or US$0.80 per share the ("Conversion Unit"). The terms and features of the conversion met the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contained a variable exercise/conversion price, the Conversion Unit met the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". As a result, the Conversion Unit was a derivative liability that required fair value measurement each reporting period. The Company had selected the Binomial Lattice model to fair value the warrant component of the conversion unit and the Monte Carlo Simulations process for the common share component of the Conversion Unit.

iii) In prior years, the Company had issued share purchase warrants with an exercise price in US dollars, rather than Canadian dollars (the functional currency of the Company). Such share purchase warrants are derivative instruments and the Company was required to re-measure the fair value at each reporting date. The fair value of these share purchase warrants are re-measured at each reporting date using the Black-Scholes option pricing model with changes recorded to the statement of operations.

Impairment
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. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of operations. 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 the reversal is recognized in profit or loss.

Income tax
Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any 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 earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Share-Based Compensation
The Company has a share-based compensation plan that grants stock options to employees and non-employees. This plan is an equity settled plan. The Company uses the fair value method for accounting for share-based awards to employees and non-employees.

The fair value determined at the grant date of the equity-settled share-based payments is expensed 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 contributed surplus.

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 Company obtains the goods or the counterparty renders the service.

Warrants
When the Company issues units comprising common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of the common shares is estimated and the fair value of the warrants issued is estimated using an option pricing model. The fair value is then prorated to the total of the net proceeds received on issuance of the common shares and the warrants.

4. Recent Accounting Pronouncements and Recent Adopted Accounting Standards

Recent Issued Accounting Pronouncements
The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

(i) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective September 1, 2018, and is currently assessing the impact of this new standard on the Consolidated Financial Statements.

(ii) In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments – Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the Consolidated Financial Statements.

(iii) On January 13, 2016, the IASB issued IFRS 16 Leases ("IFRS 16") which will replace IAS 17, Leases. IFRS 16 will bring leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is assessing the impact of this new standard on the Consolidated Financial Statements.

(iv) Amendments to IFRS 2 - Classification and measurement of Share-based payment transactions ("IFRS 2"): On June 20, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively, retrospectively, or early application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its Consolidated Financial Statements for the annual period beginning on September 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRIC 22 – Foreign currency transactions and advance consideration: IFRIC was issued in December 2016 to provide guidance on accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The new interpretation is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the interpretation on its consolidated financial statements.

5. Segmented Information

The Company's reportable and geographical segments are Canada and previously the United States. The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Effective August 31, 2015, the Company discontinued its reportable segment in the United States.

The following tables show information regarding the Company's reportable segments:

For the year ended August 31, 2017	**Canada $**	**United States $**	**Total $**
Revenue, continuing operations	20,788	-	20,788
Net loss, continuing operations	(2,097,738)	-	(2,097,738)
Net loss	(2,097,738)	-	(2,097,738)

For the year ended August 31, 2016	Canada $	United States $	Total $
Net loss, continuing operations	(13,534,298)	-	(13,534,298)
Net income (loss), discontinued operations	8,731	(6,020)	2,711
Net loss	(13,525,567)	(6,020)	(13,531,587)

For the year ended August 31, 2015	Canada $	United States $	Total $
Revenue, continuing operations	53,055	-	53,055
Net income, continuing operations	3,325,649	-	3,325,649
Net loss, discontinued operations	-	(4,762,461)	(4,762,461)
Net loss	3,325,649	(4,762,461)	(1,436,812)

As at August 31, 2017	**Canada $**	**United States $**	**Total $**
Total Assets	42,047	-	42,047
Total Liabilities	(529,823)	-	(529,823)

As at August 31, 2016	Canada $	United States $	Total $
Total Assets	482,582	-	482,582
Total Liabilities	(1,173,231)	-	(1,173,231)

6. Marketable Securities

As at August 31, 2017, the Company held 1,200,000 common shares in Stratex Oil & Gas Holdings, Inc. ("Stratex"). As at August 31, 2015, the Company recorded a change in the fair value of the securities in other comprehensive income (loss) in the amount of $110,525. For the year ended August 31, 2016, the Company re-classified the impairment of $110,525 from other comprehensive income (loss) to the statement of operations and recorded a further impairment of $9,600 as a result of the Stratex common shares being fair valued at $Nil.

Market value on acquisition	$120,125
Change in fair value	(110,525)
Market value, August 31, 2015	$ 9,600
Impairment	(9,600)
Market value, August 31, 2017 and 2016	$-

7. Secured Note Receivable

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC ("Catch Star"). On October 12, 2016, the Company advanced US$65,000 ($81,483 as at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the "Secured Note"). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. On February 1, 2017, the Company issued a letter of demand for the repayment in full of the Secured Note from Catch Star. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount.

8. Related Party Transactions and Balances

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the amount agreed to by the related parties.

Compensation of Key Management Personnel
The remuneration of directors and other members of key management personnel during the periods set out were as follows:

	August 31, 2017	August 31, 2016	August 31, 2015
Short term employee benefits (1) (2)	$129,981	$60,000	$150,000
Stock based compensation (3)	1,614,605	615,924	84,520
	$1,734,586	$675,924	$234,520

The following balances owing to the President and Chief Financial Officer of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	August 31, 2017	August 31, 2016
Short term employee benefits payable (1)(2)	$101,500	$40,000
	$101,500	$40,000

(1) The Company accrued management fees to the Chief Financial Officer of the Company at a rate of $5,000 per month during fiscal 2017 and 2016 ($12,500 per month during fiscal 2015).

(2) On September 9, 2016, the Company entered into an employment agreement with the President of the Company under which the Company agreed to pay to the President, a base salary of $90,000 and grant one hundred thousand (100,000) common share purchase options (Note 12 e). Effective May 21, 2017, the Company and the President agreed to amend the terms of the employment agreement, by reducing the President's base salary to $10.00 annually, allowing the President to contract his services to Torinit contemporaneous with his continued employment with the Company and providing a top up provision of up to $1,500 in a month from the Company if the gross compensation earned by the President from Torinit during June, July and August of 2017 (the "Period"), reduces the overall compensation earned by the President below $7,500 in any such month during the Period.

(3) On November 12, 2014, the Company granted options to purchase 7,500 common shares to three directors. On April 1, 2016, the Company granted options to purchase 30,000 common shares to a director. On September 9, 2016 and November 1, 2016, the Company granted options to purchase 130,000 and 50,000 common shares to officers and directors (Note 11 e).

On September 1, 2016, the Company entered into an agreement for a period of 12 months with Torinit Technologies Inc., ("Torinit") to provide dedicated resource augmentation to DoubleTap in an effort to optimize user experience while navigating through the http://DoubleTap.co website and drive traffic growth by engaging users across all demographics (the "Torinit Services"). As consideration for the Torinit Services, the Company agreed to compensate Torinit the sum of $8,000 per month based on 320 hours per month for a 12 month period. Dikshant Batra, a director of the Company, is also the President, a director and major shareholder of Torinit. As at August 31, 2017, included in trade and other payables is $23,961 due to Torinit.

As at August 31, 2017, the amount of directors' fees included in trade and other payables was $10,200 (August 31, 2016: $7,100). On February 29, 2016, Mr. Klyman, a former director of the Company agreed to convert outstanding directors' fees due to him of $7,400 into 2,467 units of the Company (Note 9 and 11 b (a)).

As at August 31, 2017 and 2016, the Company had a promissory note payable to the former President of the Company of $Nil. For the year ended August 31, 2016, the Company recorded interest on the promissory note of $496 (August 31, 2015: $838). On February 26, 2016, the former President assigned the promissory note of $10,000 and all accumulated interest due in the amount of $113,844 to an arms-length third party. The note was due on demand with interest at a rate of 10% per annum. Effective November 18, 2015, the Company issued to the former President 114,009 Units in the capital of the Company pursuant to the anti-dilution provision contained in the August 30, 2014, debt conversion agreements. On February 29, 2016, the former President converted $38,239 in outstanding debt into 12,746 units in the capital of the Company (Note 9 and 11 b (a)).

Effective November 18, 2015, the Company entered into a shares for debt conversion agreement and converted a note and interest payable to Core Energy Enterprises Inc. ("Core") in the aggregate amount of $362,793 through the issuance of 274,243 common shares in the capital of the Company. The fair value of the common shares of $1,830,983 was recorded as an increase to common shares and $1,468,190 was recorded as a loss on settlement of debt in the statement of operations. The CFO of the Company is a major shareholder, officer and a director of Core (Note 10 and 11 b (a)).

9. Secured Note Payable, Shareholders' Loans, Notes Payable and Debt Conversion

Secured Note Payable

As at August 31, 2014, the Company had a secured convertible promissory note payable to Benchmark Enterprises LLC. ("Benchmark") with a face value of $1,322,347 (US$1,216,175) with an interest rate of 10% (the "Note"). The Note was being accreted up to its face value over the life of Note, based on an effective interest rate. For the year ended August 31, 2015, the Company recorded interest on the Note of $154,179. The Note was due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Company of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default. The Note was secured by all of the assets of the Company and Zavala Inc. Benchmark had the option at any time while the Note was outstanding to convert any unpaid principal and accrued interest into conversion units.

In accordance with the terms of the Note and the General Security Agreement (the "Loan Agreements") the Company had granted and conveyed to Benchmark a first priority security interest in the Company and Zavala Inc., prior and superior to the rights of all third parties existing on or arising after the date of such Loan Agreements, subject to the Permitted Liens.

At August 31, 2015, the Company was unable to pay the Note due in the amount $1,608,149 plus interest of $154,179, totaling $1,762,328, which constituted an event of default pursuant to the terms of the Loan Agreements. Benchmark, having made demand for payment of all amounts owed to it under the Note, gave notice to the Company that it intended to exercise its security on the Company's assets. In an effort to avoid further costs, the Company and Benchmark entered into a Settlement and Exercise of Security Agreement effective August 31, 2015, with the following terms:

1. Effective August 31, 2015, the Company assigns and conveys to Benchmark all of its rights, title and interest in and to Zavala Inc., including but not limited to all of the issued and outstanding common shares of Zavala Inc.; and
2. Issuance of 1,000,000 shares of common stock of the Company.

As a result the Company's extinguishment of the Note, the Company's investment in Zavala Inc. had been derecognized from the Company's Consolidated Financial Statements as at August 31, 2015 (Note 16 a). The fair value of the common shares was determined to be equal to the fair value of the secured note settled The following table presents the effect of the extinguishment of the Note on the Consolidated Financial Statements of the Company:

	August 31, 2015
Secured note payable settled	$1,608,149
Interest payable settled	154,179
Net assets and liabilities of Zavala Inc. transferred (Note 16 a)	(836,717)
Common shares issued (Note 13 b (b))	(925,611)
	$-

Shareholder Loans
As at August 31, 2017 and 2016 the Company had shareholders' loans payable of $Nil.

Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 147,571 units in the capital of the Company. The terms of the August 30, 2014, conversion agreements contained an anti-dilution provision such that if within 18 months of the effective date, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than $8.00 (the "Adjusted Price") the Holder herein shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price. Effective November 18, 2015, the Company issued a total of 103,299 Units in the capital of the Company pursuant to the Adjusted Price. The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock. The fair value of the units of $6,896,800 was allocated to the common shares in the amount of $5,034,157 and warrants in the amount of $1,862,643 based on their relative fair values and $6,896,800 was recognized as a loss on settlement of debt in the statement of operations. Significant assumptions utilized in the Binomial Lattice process for the warrant component of the conversion were as follows:

	November 18, 2015
Market value on valuation date	$6.60
Contractual exercise rate	$10.00
Term	1.79 Years
Expected market volatility	183.30%
Risk free rate using zero coupon US Treasury Security rate	0.90%

Loans Payable
As at August 31, 2017 and 2016 the Company had loans payable of $Nil. For the year ended August 31, 2016, the Company recorded interest on the loans payable of $4,945. Effective November 18, 2015, the Company converted loans and interest due in the aggregate amount of $899,660 through the issuance of 680,068 common shares in the capital of the Company. The fair value of the common shares of $4,540,474 was allocated to common shares and $3,640,814 was recorded as loss on settlement of debt in the consolidated statement of operations (Note 11 b).

On February 29, 2016, the Company entered into asset purchase and debt settlement agreement and converted loans and interest in the aggregate amount of $277,473 in exchange for the Company's 0.03% net smelter return royalty on 8 mining claim blocks located in Red Lake, Ontario which were carried on the consolidated statement of financial position at $Nil. Accordingly, the Company recorded a gain on settlement of debt for the full amount.

Debt Conversion
On February 29, 2016, the Company entered into shares for debt conversion agreements and converted debt in the aggregate amount of $451,557 through the issuance of 150,519 units in the capital of the Company. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $3.50 until March 1, 2019. The fair value of the units of $1,220,709 was allocated to common shares in the amount of $638,295 and warrants in the amount of $582,414 based on their relative fair values and $769,152 was recognized as a loss on extinguishment of debt in the consolidated statement of operations. Significant assumptions utilized in the Binomial Lattice process for the warrant component of the conversion were as follows:

	February 29, 2016
Market value on valuation date	$8.10
Contractual exercise rate	$3.50
Term (years)	3 Years
Expected market volatility	169.73%
Risk free rate using zero coupon US Treasury Security rate	0.91%

10. Derivative Liabilities

As at August 31, 2017, the Company had no derivative warrant liabilities. As at August 31, 2016, the Company had 175,000 derivative warrant liabilities outstanding with a fair value of $Nil. As at August 31, 2017, the Company recorded a gain on expiry of derivative warrant liabilities of $Nil (August 31, 2016: $281,210). The Company had warrants issued with a cashless exercise price and warrants issued with an exercise price in US dollars which was different from the functional currency of the Company and accordingly the warrants were treated as a financial liabilities. The fair value movement during the periods were recognized in the profit or loss. The following table sets out the changes in derivative warrant liabilities during the respective periods:

	Number of Warrants	Fair Value Assigned $	Average Exercise Price $
As at August 31, 2014	7,439	1,325,307	US 370.40
Warrants expired	(6,134)	(1,258,206)	US (460.66)
Change in fair value estimates	-	214,109	-
As at August 31, 2015	1,305	281,210	US 466.66
Warrants expired	(1,305)	(281,210)	-
Warrants issued	175,000	-	-
As at August 31, 2016	175,000	-	15.00
Warrants expired	(175,000)	-	-
As at August 31, 2017	-	-	-

On September 25, 2015, 1,305 warrants expired and the fair value measured using the Black-Scholes option pricing model of $281,210 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On June 22, 2016, the Company entered into a consulting agreement and issued 175,000 common share purchase warrants exercisable at $15.00 with a cashless exercise option. At August 31, 2016, the Company determined that it would not continue with the agreement and it was suspended and on January 15, 2017, the agreement was mutually terminated no warrants were exercised.

As at August 31, 2017, no derivative warrants liabilities were outstanding. The following tables set out the number of derivative warrant liabilities outstanding as at August 31, 2016 and 2015, respectively:

Number of Warrants 2016	Exercise Price CDN ($)	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value ($)
175,000	1.50	January 15, 2017	0.13	-

Number of Warrants 2015	Exercise Price US ($)	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value ($)
1,125	500.00	September 25, 2015	0.07	220,640
180	250.00	September 25, 2015	0.07	60,570
1,305			**0.07**	**281,210**

11. Share Capital and Reserves

The Company filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. The Company filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. The consolidated financial statements have been adjusted to reflect these consolidations accordingly.

a) Share Capital

Authorized:
Unlimited number of common shares at no par value
Unlimited number of preferred shares issuable in series

Common Shares Issued:
The following table sets out the changes in common shares during the respective periods:

	Number	Amount $
Balance August 31, 2015	377,295	9,997,792
Common shares issued as debt extinguishment (Note 11 b (a))	954,311	6,371,457
Common shares issued as private placement (Note 11 b (b))	50,000	50,000
Common shares issued as anti-dilution provision (Note 11 b (c))	1,032,998	5,034,157
Common shares issued as private placement (Note 11 b (d))	10,000	9,044
Common shares issued as debt extinguishment (Note 11 b (e))	150,519	638,295
Common shares issued on exercise of warrants (Note 11 b (f))	51,868	986,667
Common shares issued as private placement (Note 11 b (g))	23,636	133,271
Balance August 31, 2016	2,650,627	23,220,683
Common shares issued as private placement (Note 11 b (h))	7,692	30,233
Common shares issued as settlement of shareholder advances (Note 11 b (i))	1,187,672	213,781
Common shares issued as anti-dilution provision (Note 11 b (j))	1,420,809	184,705
Common shares issued as anti-dilution provision (Note 11 b (k))	16,364	2,127
Balance August 31, 2017	**5,283,164**	**23,651,529**

Preferred Shares Issued:
As at August 31, 2017 and August 31, 2016, there were no preferred shares issued.

b) Share Purchase Warrants

The following table sets out the changes in warrants during the respective periods:

Warrants	August 31, 2017		August 31, 2016	
	Number of Warrants	Weighted Average Price	Number of Warrants	Weighted Average Price
Outstanding, beginning of year	722,572	-	73,786	-
Warrants issued (Note 11 b (c))	-	-	516,499	-
Warrants issued (Note 11 b (d))	-	-	10,000	-
Warrants issued (Note 11 b (e))	-	-	150,519	-
Warrants exercised (Note 11 b (f))	-	-	(51,868)	-
Warrants issued (Note 11 b (g))	-	-	23,636	-
Warrants issued (Note 11 b (h))	7,692	-	-	-
Warrants issued (Note 11 b (k))	16,364	-	-	-
Warrants expired (Note 11 b (l))	(538,417)	-	-	-
Balance, end of year	**208,211**	**$5.27**	722,572	$8.60

(a) Effective November 18, 2015, the Company entered into shares for debt conversion agreements and converted loans and interest due in the aggregate amount of $1,262,453 through the issuance of 954,311 common shares in the capital of the Company. The fair value of $6,371,457 was recorded as an increase to common shares and $5,109,004 was recorded as a loss on settlement of debt in the consolidated statement of operations (Note 9).

(b) Effective November 18, 2015, the Company completed a private placement for gross proceeds of $50,000 and issued 50,000 common shares in the capital of the Company at a purchase price of $1.00 per share.

(c) Effective November 18, 2015, the Company issued 1,032,998 Units in the capital of the Company pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements. Each unit was comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until August 30, 2017. The fair value of the units of $6,896,800 was allocated to the common shares in the amount of $5,034,157 and warrants in the amount of $1,862,643 based on their relative fair values and $6,896,800 was recognized as a loss on settlement of debt in the consolidated statement of operations (Note 9).

(d) On February 29, 2016, the Company completed a private placement for gross proceeds of $30,000 and issued 10,000 units in the capital of the Company at a purchase price of $3.00 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $3.50 until March 1, 2019. The fair value of the units of $30,000 was allocated to common shares $9,044 and the amount allocated to warrants component using a Binomial Lattice model was $20,956.

(e) On February 29, 2016, the Company entered into debt conversion agreements and converted debt in the aggregate amount of $451,557 through the issuance of 150,519 units in the capital of the Company. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $3.50 until March 1, 2019. The fair value of the Units of $1,220,709 was allocated to common shares in the amount of $638,295 and warrants in the amount of $582,414 based on their relative fair values and $769,152 was recognized as a loss on extinguishment of debt in the consolidated statement of operations.

(f) During the year ended August 31, 2016, 51,868 common share purchase warrants were exercised at $10.00 for proceeds of $518,683. The amount allocated to warrants using a Binomial Lattice model was $467,984.

(g) On August 31, 2016, the Company completed private placements for gross proceeds of $260,000 and issued 23,636 units in the capital of the Company at a purchase price of $11.00 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $12.50 until August 31, 2019. The Subscription agreements contain an anti-dilution provision such that if within 18 months of August 31, 2016, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than $11.00 (the "Adjusted Price") the Holder shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price. At August 31, 2016, the Company determined that based on the market price of the Company's common shares being greater than the Unit issue price per share, no additional common shares were required to be fair valued and recorded as a derivative liability (Note 9, Note 11 b (j) and Note 11 b (k)).

The fair value of the units of $260,000 was allocated to common shares in the amount of $133,271 and the amount allocated to warrants using a Binomial Lattice model was $126,729. The assumptions utilized in the Binomial Lattice process for the common share purchase warrants were as follows:

	August 31, 2016
Market value on valuation date	$13.10
Contractual exercise rate	$12.50
Term	3 Years
Expected market volatility	152.78%
Risk free rate using zero coupon US Treasury Security rate	0.92%

(h) On November 30, 2016, the Company completed private placements for gross proceeds of $50,000 and issued 7,692 units in the capital of the Company at a purchase price of $6.50 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until November 30, 2019. The fair value of the units ($50,000) was allocated to common shares $30,233 and the amount allocated to warrants component using a Binomial Lattice model was $19,767.

(i) Effective August 31, 2017, the Company settled shareholder advances of $213,781 and issued 1,187,672 common shares in the capital of the Company at a price of $0.18 per share.

(j) Pursuant to the August 31, 2017, settlement of shareholder advances of $213,781 (Note 11 b (i), effective August 31, 2017, the Company issued 1,420,809 common shares in the capital of the Company pursuant to the anti-dilution provision of the August 31, 2016, private placement agreements. The fair value of $184,705 was calculated on the previous day's closing price of the Company's common shares and allocated to common shares and anti-dilution fees in the consolidated statement of operations (Note 11 b (g)).

(k) Pursuant to the November 30, 2016, private placement of $50,000 (Note 11 b (h), effective August 31, 2017, the Company issued 16,364 Units in the capital of the Company pursuant to the anti-dilution provision of the August 31, 2016, private placement agreements. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until November 30, 2019. The fair value of the units of $2,127 was allocated to common shares and anti-dilution fees in the consolidated statement of operations. No value was allocated to warrants based on the Binomial Lattice model (Note 11 b (g)).

(l) On August 31, 2017, 538,417 common share purchase warrants exercisable at $10.00 expired. The amount allocated to warrants based on the Binomial Lattice model was $2,195,738 with a corresponding increase to contributed surplus.

The following table summarizes the outstanding warrants as at August 31, 2017 and August 31, 2016, respectively:

Number of Warrants 2017	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
160,519	$3.50	March 1, 2019	1.50	603,370
23,636	$12.50	August 31, 2019	2.00	126,729
24,056	$10.00	November 30, 2019	2.25	19,767
208,211			**1.64**	**749,866**

Number of Warrants 2016	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
538,417	$10.00	August 30, 2017	1.00	2,195,738
160,519	$3.50	March 1, 2019	2.50	603,370
23,636	$12.50	August 31, 2019	3.00	126,729
722,572			1.40	2,935,837

c) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	August 31,		
	2017	2016	2015
Weighted Average Shares Outstanding, basic	**2,663,614**	2,077,096	276,989
Weighted Average Shares Outstanding, diluted	**2,663,614**	2,077,096	375,551

At August 31, 2017, there were 155,000 stock options and 208,211 common share purchase warrants that could be exercised, however they are anti-dilutive. The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

d) Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding common shares of the Company on a rolling basis.

The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options	Weighted Average Exercise Price $
Balance, August 31, 2015	11,000	25.00
Expired	(2,700)	23.00
Granted	30,000	(21.90)
Balance, August 31, 2016	38,300	22.80
Granted	200,000	12.05
Expired	(83,300)	(13.63)
Balance, August 31, 2017	**155,000**	**13.87**

The following table is a summary of the Company's stock options outstanding and exercisable as at August 31, 2017 and August 31, 2016, respectively:

	Options Outstanding			Options Exercisable	
Exercise Price	**Number of Options**	**Weighted Average Remaining Life (Years)**	**Expiry Date**	**Number of Options**	**Weighted Average Exercise Price $**
$12.00	5,000	2.20	November 11, 2019	5,000	0.50
$15.00	70,000	4.02	September 8, 2021	35,000	3.79
$13.00	80,000	4.02	September 8, 2021	80,000	4.38
	155,000	**3.95**		**85,000**	**13.87**

	Options Outstanding			Options Exercisable	
Exercise Price	**Number of Options**	**Weighted Average Remaining Life (Years)**	**Expiry Date**	**Number of Options**	**Weighted Average Exercise Price $**
$160.00	600	0.50	February 17, 2017	600	2.51
$160.00	200	0.27	December 8, 2016	200	0.84
$12.00	5,000	3.20	November 11, 2019	5,000	1.57
$12.00	2,500	0.27	December 8, 2016	2,500	0.78
$21.90	30,000	0.27	December 8, 2016	30,000	17.10
	38,300	4.48		38,300	22.80

e) Stock Based Compensation

Employees

On September 9, 2016, the Company granted 30,000 immediately vesting common share purchase options to shares to a director and 30,000 common share purchase options vesting February 6, 2017 to the President. These options are exercisable at $13.00 per share and expire on September 8, 2021. The Company recorded non-cash stock based compensation expense of $706,178.

On September 9, 2016, the Company granted to the President 70,000 common share purchase options exercisable at $15.00 per share and expiring on September 8, 2021. Of these options, 35,000 vest on September 8, 2017 and 35,000 vest on September 8, 2018. The Company recorded non-cash stock based compensation expense of $613,532.

On November 1, 2016, the Company granted 50,000 common share purchase options vesting March 30, 2017 to the former Chief Financial Officer. These options were exercisable at $6.40 per share and expired on April 25, 2017. The Company recorded non-cash stock based compensation expense of $294,895.

Non Employees

On September 9, 2016, the Company granted 20,000 immediately vesting common share purchase options to a consultant of the Company. These options are exercisable at $13.00 per share and expire on September 8, 2021. The Company recorded non-cash stock based compensation expense of $235,393.

The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following assumptions and inputs:

	November 1, 2016	September 9, 2016
Weighted average fair value per option	$5.90	$11.70
Weighted average risk free interest rate	0.68%	0.59%
Forfeiture rate	0%	0%
Weighted average expected volatility	156.70%	152.32%
Expected life (years)	5	5
Dividend yield	Nil	Nil
Stock price on the date of grant	$6.40	$12.90

12. Non-Cash Transactions

The following table summarizes the non-cash transactions for the years set out:

Non-cash transactions	**August 31, 2017 ($)**	**August 31, 2016 ($)**	**August 31, 2015 ($)**
Stock based compensation (Note 11 e)	1,849,998	615,924	112,693
Stock options expired (Note 11 d)	(1,066,882)	(60,143)	(11,112)
Warrants expired	(2,195,738)	-	(1,169,889)
Units issued as anti-dilution provision (Note 10)	184,705	6,896,800	-
Shares issued as anti-dilution provision (Note 10)	2,127	-	
Shares issued to settle debt (Note 9 and 10)	-	6,371,457	-
Derivative warrants expired (Note 11)	-	(281,210)	(1,258,206)
Units issued as debt extinguishment (Note 10)	-	1,220,709	-
Debt settled in exchange of property	-	(277,473)	
Shares to be issued to settle debt	-	-	925,611
Disposal of decommissioning obligation	-	-	135,064

13. Financial Instruments and Concentration of Risks

Financial instruments are measured at fair value on initial recognition of the instrument. The types of risk exposure to the Company's financial instruments and the ways in which such exposures are managed are as follows:

Credit Risk
Credit risk is primarily related to the Company's receivables and cash and the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. At August 31, 2017, trade and other receivables amounts are $Nil (August 31, 2016: $Nil). At August 31, 2017, included in other receivables is HST due from the Government of Canada in the amount of $41,007 (August 31, 2016: $14,800).

Concentration risk exists in cash because cash balances are maintained with one financial institution. The risk is mitigated because the financial institution is an international bank and all amounts are due on demand.

The Company's maximum exposure to credit risk is as follows:

	August 31, 2017 ($)	August 31, 2016 ($)
Cash	1,040	449,983
Balance	1,040	449,983

Liquidity Risk
The Company monitors its liquidity position regularly to assess whether it has the funds necessary to fulfill planned opportunities or that viable options are available to fund such opportunities from new equity issuances or alternative sources of financings. As a company without significant revenue, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that such financing terms may not be acceptable to the Company.

The following table illustrates the contractual maturities of financial liabilities:

August 31, 2017	**Payments Due by Period $**				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	529,823	529,823	-	-	-
Total	529,823	529,823	-	-	-

August 31, 2016	Payments Due by Period $				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	1,173,231	1,173,231	-	-	-
Total	1,173,231	1,173,231	-	-	-

Market Risk
Market risk represents the risk of loss that may impact the Company's financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, and other relevant market or price risks. The Company does not use derivative instruments to mitigate this risk.

(i) Currency Risk
The Company is exposed to the fluctuations in foreign exchange rates. The Company operates in Canada and a portion of its expenses are incurred in US dollars. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in US dollars as at the year-end set out below:

	August 31, 2017 ($)	August 31, 2016 ($)
Cash	77	6,157
Prepaid expenses and deposits	-	7,814
Trade and other payables	(38,777)	(26,322)
Net assets (liabilities) denominated in US$	(38,700)	(12,351)
Net assets (liabilities) CDN dollar equivalent at period end (1)	(48,514)	(16,209)

(1) Translated at the exchange rate in effect at August 31, 2017 $1.2536 (August 31, 2016 $1.3124)

The following table shows the estimated sensitivity of the Company's total loss for the periods set out from a change in the US dollar exchange rate in which the Company has exposure with all other variables held constant.

	August 31, 2017		August 31, 2016	
	Increase	Decrease	Increase	Decrease
Percentage change in US Dollar	In total loss from a change in % in the US Exchange Rate ($)		In total loss from a change in % in the US Exchange Rate ($)	
5%	(3,041)	3,041	(1,064)	1,064
10%	(6,082)	6,082	(2,127)	2,127
15%	(9,123)	9,123	(3,191)	3,191

(ii) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The majority of the Company's debt is short-term in nature with fixed rates.

(iii) Fair Value of Financial Instruments

The Company's financial instruments included on the consolidated statements of financial position are comprised of cash, secured note receivable and trade and other payables. The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

• Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

• Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

		August 31, 2017		August 31, 2016	
Financial Instrument Classification	Level	Carrying Value ($)	Fair Value ($)	Carrying Value ($)	Fair Value ($)
Fair value through profit or loss:					
Cash	1	1,040	1,040	449,983	449,983
Other financial liabilities:					
Trade and other payables		529,823	529,823	1,173,231	1,173,231

Cash is stated at fair value (Level 1 measurement). The carrying value of trade and other payables approximate their fair value due to the short-term maturity of these financial instruments.

Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to fund its operations, growth and ongoing development opportunities. The Company's capital requirements currently exceed its operational cash flow. As such, the Company is dependent upon future financings in order to maintain liquidity and will be required to issue equity or issue debt.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, availability of capital and the risk characteristics of any underlying assets in order to meet current and upcoming obligations.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favourable market conditions to sustain future development of the business. As at August 31, 2017 and 2016, the Company considered its capital structure to be comprised of shareholders' deficiency.

14. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% to the effective tax rate is as follows:

	2017	2016	2015
Net loss before recovery of income taxes	$2,097,738	$13,531,587	$1,436,812
Expected income tax (recovery) expense	(555,901)	(3,585,871)	(380,755)
Share based compensation and non-deductible expenses	302,853	-	-
Debt forgiveness	236,907	-	-
Non-taxable items and others	-	3,458,054	230,893
Change in tax benefits not recognized	16,141	127,817	149,862
Income tax (recovery) expense	$-	$-	$-

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2017	2016	2015
Non-capital losses carried forward - Canada	$5,154,600	$1,313,096	$1,187,152
Share issue costs	16,790	5,621	3,748
Capital losses carry forwards	-	28,070	28,070
Oil and gas interests	-	76,713	76,713
Unrecognized deferred tax asset	$5,171,390	$1,423,500	$1,295,683

The Company's Canadian non-capital losses expire as follows:

2030	703,290
2031	648,300
2032	1,200,570
2033	870,780
2034	662,600
2035	258,560
2036	766,380
2037	44,120
	$5,154,600

15. Discontinued Operations and Dissolution of Subsidiary

a) Discontinued Operations of Eagleford Energy, Zavala Inc.

In accordance with the terms of a Secured Note and a General Security Agreement, the Company and Benchmark Enterprises Inc., ("Benchmark") entered into a Settlement and Exercise of Security Agreement effective August 31, 2015 for the extinguishment of the Secured Note and Interest in the amount of $1,762,328. The Company assigned and conveyed to Benchmark all of its rights, title and interest in and to Zavala Inc. and issued 100,000 common shares of the Company to Benchmark.

As a result of the extinguishment of the Note, the Company's investment in Zavala Inc. had been derecognized from the Company's Consolidated Financial Statements as at the effective date (August 31, 2015) and presented as discontinued operations on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows. Upon the disposition of Zavala Inc., the Company realized a foreign exchange translation gain of $615,881. The following table presents the consolidated statements of operations and other comprehensive income (loss) of Zavala Inc., for the years set out:

	August 31, 2016	August 31, 2015
Expenses		
Accretion	$-	$1,498
General and administrative	6,020	73,347
Bad debt expense	-	29,756
Impairment loss on marketable securities	-	167,815
Impairment loss on exploration and evaluation assets	-	4,490,045
Loss from discontinued operations	(6,020)	(4,762,461)
Foreign currency translation	-	(4,692)
Total loss from discontinued operations	$(6,020)	$(4,767,153)
Loss per share from discontinued operations, basic and diluted	$(0.000)	$(17.194)

The following table presents the consolidated statements of cash flows of Zavala Inc. for the periods set out:

	August 31, 2016	August 31,2015
Cash provided by (used in)		
Operating activities		
Net loss from discontinued operations	$(6,020)	$(4,762,461)
Accretion	-	1,498
Impairment loss on marketable securities	-	167,815
Impairment loss on exploration and evaluation assets	-	4,490,045
Net changes in non-cash working capital		
Accounts receivable	-	79,790
Accounts payable	-	(58,979)
Deferred revenue	-	(177,804)
Cash provided by (used in) operating activities, discontinued operations	(6,020)	(260,096)
Investing activities		
Additions to exploration and evaluation assets, net	-	(109,874)
Cash used in investing activities, discontinued operations	-	(109,874)
Financing activities		
Loans payable	-	279,053
Cash provided by financing activities, discontinued operations	-	279,053
Net cash provided by (used in) discontinued operations	$(6,020)	$(90,917)

The following table presents the effect of the disposal of Zavala Inc., on the Consolidated Statement of Financial Position of the Company at the effective date:

	August 31, 2015
Accounts receivable	$658
Restricted cash	33,058
Marketable securities	10,578
Exploration and evaluation assets	1,212,996
Provisions	(135,064)
Loan payable	(279,053)
Accounts payable	(6,456)
Net assets and liabilities of Zavala Inc.	$836,717

b) Discontinued operations of 1354166 Alberta Ltd.

The Company entered into a Share Purchase and Debt Settlement Agreement with 1288131 Alberta Ltd. effective February 29, 2016 and disposed of its interest in 1354166 Alberta for the settlement of debt owed to 1288131 Alberta Ltd., in the amount of $62,867.

As a result the extinguishment of the debt, the Company's investment in 1354166 Alberta had been derecognized from the Company's Consolidated Financial Statements as at the effective date (February 29, 2016) and presented as discontinued operations on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows. Upon the disposition of 1354166 Alberta the Company recognized a gain in the amount of $68,489.

The following table presents the statements of operations of 1354166 Alberta for the period set out:

	August 31,2016
Revenue	
Natural gas sales	$13,998
Expenses	
Operating costs	5,170
General and administrative	97
	(5,267)
Net income from discontinued operations	$8,731
Earnings per share from discontinued operations, basic and diluted	$0.000

The following table presents the statements of cash flows of 1354166 Alberta for the period set out:

	August 31,2016
Cash provided by (used in)	
Operating activities	
Net income from discontinued operations	$8,731
Item not involving cash	
Net changes in non-cash working capital	
Accounts receivable	4,955
Accounts payable	14
Cash provided by operating activities, discontinued operations	13,700
Net cash provided by discontinued operations	$13,700

The following table presents the effect of the disposal of 1354166 Alberta on the Consolidated Statement of Financial Position of the Company:

	February 29, 2016
Cash	$2,564
Accounts Receivable	3,391
Accounts payable	(14)
Provisions (Note 12)	(11,563)
Net assets and liabilities of 1354166 Alberta	$(5,622)

c) Dissolution of Dyami Energy, LLC

Effective April 3, 2014, the Company's former wholly owned subsidiary Dyami Energy, LLC ("Dyami Energy") was dissolved.

The Company's investment in Dyami Energy had been derecognized from the Company's Consolidated Financial Statements as at the effective date, and presented on the Consolidated Statements of Operations and the Consolidated Statements of Cash Flow as an impairment of the net assets and liabilities on dissolution of subsidiary. Prior obligations of Dyami Energy, with respect to the Matthews and Murphy Leases of $893,990 were previously recorded by the Company as financial liabilities and in the current period recognized as a gain upon de-recognition of financial liabilities.

16. Subsequent Events

Subsequent to the year ended August 31, 2017, the Company's Chief Financial Officer advanced the Company $35,000.

Subsequent to the year ended August 31, 2017, the Company received a non interest bearing due on demand loan of US $20,000.

Subsequent to the year ended August 31, 2017, the Company executed a non-binding Letter of Intent with Grown Rogue Unlimited, LLC, an Oregon limited liability company ("Grown Rogue") according to which it is contemplated that the Company will combine its business operations with Grown Rogue (the "Transaction") resulting in a reverse take-over of the Company by Grown Rogue. The Transaction as currently contemplated will result in Grown Rogue becoming a wholly-owned subsidiary of the Company or otherwise combining its corporate existence with a wholly-owned subsidiary of the Company. No representation is given that the Transaction will close however if closed as contemplated it is expected that: (a) the current holders of the Company securities will own, and have the right to acquire upon exercise of warrants and options, common shares representing 3.6% of fully diluted common shares of the Resulting Issuer; (b) 55,500,000 post consolidated common shares of the Company ("Nov Shares"), or as adjusted such that the owners of Grown Rogue will own at least 75.9% of the Resulting Issuer on the closing of the Transaction, will be issued to the owners of Grown Rogue in exchange for all of the issued and outstanding equity membership interests of Grown Rogue based on a valuation acceptable to the parties of at least $27,750,000 and Nov Shares being issued at $0.50 per share and (c) purchasers of Offered Securities issued in the Private Placement will own 20.5% of fully diluted common shares of the Resulting Issuer.

Prior to the closing of the Private Placement and the Transaction, if at all, it is intended that the Company will complete a consolidation (the "Consolidation") of its common shares on the basis of two (2) pre-consolidated common shares for one (1) post-consolidated common share.

Intelligent Content Enterprises Inc.

(formerly: Eagleford Energy Corp.)

Consolidated Financial Statements

For the years ended August 31, 2016, 2015 and 2014

(Expressed in Canadian Dollars)

Consolidated Financial Statements
For the years ended August 31, 2016, 2015 and 2014
(Expressed in Canadian Dollars)

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Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

INDEPENDENT AUDITOR'S REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Intelligent Content Enterprises Inc.
(Formerly Eagleford Energy Corp.)

We have audited the accompanying consolidated financial statements of Intelligent Content Enterprises Inc. (formerly: Eagleford Energy Corp.) (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2016 and 2015, the consolidated statements of operations and other comprehensive income (loss), changes in shareholders' equity (deficiency) and cash flows for the years ended August 31, 2016, 2015 and 2014, 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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of the 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 and the standards of the Public Company Accounting Oversight Board (United States). 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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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. 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 Intelligent Content Enterprises Inc. (formerly: Eagleford Energy Corp.) as at August 31, 2016 and 2015, and its financial performance and its cash flows for the years ended August 31, 2016, 2015 and 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 b) in the consolidated financial statements which indicates that the Company incurred a net loss of $13,531,587 during the year ended August 31, 2016 and, as of that date had an accumulated deficit of $29,587,246. These conditions, along with other matters as set forth in Note 1 b), indicate the existence of a material uncertainty that, raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 b). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements, which indicates that the comparative information presented as at and for the years ended August 31, 2015 and 2014 have been restated.

"**SCHWARTZ LEVITSKY FELDMAN, LLP**"

Toronto, Ontario, Canada
March 13, 2017

Chartered Accountants
Licensed Public Accountants

(formerly: Eagleford Energy Corp.)

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	August 31, 2016	August 31, 2015	September 1, 2014
		Restated (Note 3 b)	Restated (Note 3 b)
Assets			
Current Assets			
Cash	$449,983	32,192	103,215
Other receivables	14,800	19,386	112,285
Prepaid expenses and deposits	17,799	31,937	44,836
Marketable securities (Note 7)	-	9,600	-
Total current assets	$482,582	93,115	260,336
Non-current assets			
Exploration and evaluation assets (Note 8)	-	-	5,036,592
Total non-current assets	-	-	5,036,592
Total Assets	**$482,582**	$93,115	$5,296,928
Liabilities and Shareholders' Deficiency			
Current liabilities			
Trade and other payables	$1,173,231	$1,630,809	$1,483,775
Derivative liabilities (Note 11)	-	281,210	1,094,392
Shareholders' loans (Note 9 and 10)	-	339,588	981,834
Loans payables (Note 10)	-	1,063,105	-
Provisions (Note 12)	-	11,563	11,768
Deferred revenue	-	-	177,804
Total current liabilities	1,173,231	3,326,275	3,749,573
Non-current liabilities			
Derivative liabilities (Note 11)	-	-	4,231,015
Provisions (Note 12)	-	-	35,775
Total non-current liabilities	-	-	4,266,790
Total liabilities	1,173,231	3,326,275	8,016,363
Shareholders' deficiency			
Common shares (Note 13 a)	23,220,683	9,997,792	9,072,181
Share purchase warrants (Note 13 b)	2,925,837	801,079	1,970,968
Share purchase options (Note 13 d)	828,334	272,553	170,972
Contributed surplus	1,921,743	1,861,600	680,599
Available-for-sale reserve (Note 7)	-	(110,525)	-
Foreign currency translation exchange	-	-	4,692
Accumulated deficit	(29,587,246)	(16,055,659)	(14,618,847)
Total shareholders' deficiency	(690,649)	(3,233,160)	(2,719,435)
Total Liabilities and Shareholders' Deficiency	**$482,582**	$93,115	$5,296,928

Going Concern (Note 1 b)
Correction of Prior Period Errors (Note 3)
Related Party Transactions and Balances (Note 9)
Discontinued Operations and Dissolution of Subsidiary (Note 16)
Subsequent Events (Note 17)

Approved by the Board of Directors

(signed) "Ritwik Uban"
Ritwik Uban, President and Director

(signed) "James Cassina"
James Cassina, Chief Financial Officer and Director

(formerly: Eagleford Energy Corp.)

Consolidated Statements of Operations and Other Comprehensive Income (Loss)
For the years ended August 31,
(Expressed in Canadian Dollars)

	2016	2015	2014
		Restated (Note 3 b)	Restated (Note 3 b)
Continuing Operations			
Revenue			
Natural gas sales	$-	$53,055	$65,024
Expenses			
Operating cost	-	24,910	17,138
Research, content development and technology support	160,519	-	-
Hosting, advertising and technology services	45,272	-	-
General and administrative	418,206	89,007	403,425
Interest	12,812	280,299	284,038
Loss on foreign exchange	21,890	415,345	101,427
Gain on disposal of subsidiary (Note 16)	(68,489)	(615,881)	-
Stock based compensation (Note 13 d)	615,924	84,520	-
Stock based compensation-non employees (Note 13 d)	-	28,173	-
Gain on expiry of derivative liabilities (Note 11)	(281,210)	(1,258,206)	(709,299)
Loss on settlement of debt (Note 9 and 10)	12,489,249	-	1,335,935
Impairment loss on marketable securities (Note 7)	120,125	-	-
(Gain) loss on derivative liabilities (Note 11)	-	(2,653,591)	2,735,476
Marketing and public relations	-	(22,800)	(14,250)
Accretion of convertible secured note (Note 10)	-	475,755	-
Gain on settlement of litigation	-	(120,125)	-
Depletion and accretion	-	-	1,536
Impairment loss on exploration and evaluation assets (Note 8)	-	-	1,315,276
	13,534,298	(3,272,594)	5,470,702
Net income (loss) from continuing operations	(13,534,298)	3,325,649	(5,405,678)
Net income (loss) from discontinued operations net of tax (Note 16)	2,711	(4,762,461)	(608)
Net loss	(13,531,587)	(1,436,812)	(5,406,286)
Other comprehensive income (loss) to be re-classified to operations			
Impairment loss on marketable securities (Note 7)	110,525	(110,525)	-
Foreign currency translation			
Discontinued operations	-	(4,692)	(199,965)
Total other comprehensive income (loss)	110,525	(115,217)	(199,965)
Net loss from operations and other comprehensive income (loss)	**$(13,421,062)**	$(1,552,029)	$(5,606,251)
Earnings (loss) per share, basic			
Continuing operations	$(0.652)	$1.201	$(4.265)
Discontinued operations	$0.000	(1.719)	$(0.000)
Total loss per share, basic	$(0.652)	$(0.519)	$(4.265)
Earnings (loss) per share, diluted			
Continuing operations	$(0.652)	$0.886	$(4.265)
Discontinued operations	$0.000	(1.268)	$(0.000)
Total (loss) per share, diluted	$(0.652)	($0.382)	$(4.265)
Weighted average shares outstanding, basic	**20,770,962**	2,769,894	1,267,533
Weighted average shares outstanding, diluted	**20,770,962**	3,755,514	1,267,533

Intelligent Content Enterprises Inc.

(formerly: Eagleford Energy Corp.)

Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended August 31, 2016, 2015 and 2014
(Expressed in Canadian Dollars)

	SHARE CAPITAL Number of Common Shares*	SHARE CAPITAL Common Shares $	SHARE PURCHASE WARRANTS $	SHARE PURCHASE OPTIONS $	CONTRI-BUTED SURPLUS $	FOREIGN CURRENCY TRANS-LATION RESERVE $	AVAIL-ABLE FOR SALE RESERVE $	ACCU-MULATED DEFICIT $	TOTAL SHARE-HOLDERS' EQUITY (DEFICIENCY) $
Balance, August 31, 2013	1,226,735	7,050,350	1,422,526	170,972	506,200	204,657	-	(9,212,561)	142,144
Warrants exercised	65,190	306,405	(78,238)	-	-	-	-	-	228,167
Warrants expired	-	-	(174,399)	-	174,399	-	-	-	-
Issuance of units as debt settlement	1,475,712	1,715,426	801,079	-	-	-	-	-	2,516,505
Foreign currency translation									
-continuing operations	-	-	-	-	-	(203,765)	-	-	(203,765)
-discontinued operations	-	-	-	-	-	3,800	-	-	3,800
Net loss for the period, continuing operations	-	-	-	-	-	-	-	(5,405,678)	(5,405,678)
Net loss for the period, discontinued operations	-	-	-	-	-	-	-	(608)	(608)
Balance, August 31, 2014 as restated (Note 3b)	2,767,637	9,072,181	1,970,968	170,972	680,599	4,692	-	(14,618,847)	(2,719,435)
Stock options expired	-	-		(11,112)	11,112	-	-	-	-
Warrants expired	-	-	(1,169,889)	-	1,169,889	-	-	-	-
Stock based compensation	-	-	-	112,693	-	-	-	-	112,693
Shares to be issued as debt extinguishment	1,000,000	925,611	-	-	-	-	-	-	925,611
Unrealized loss on marketable securities	-	-	-	-	-	-	(110,525)	-	(110,525)
Foreign currency translation									
-discontinued operations	-	-	-	-	-	(4,692)	-	-	(4,692)
Net loss for the period, continuing operations	-	-	-	-	-	-	-	3,325,649	2,067,443
Net loss for the period, discontinued operations	-	-	-	-	-	-	-	(4,762,461)	(4,762,461)
Balance, August 31, 2015 as restated (Note 3b)	3,767,637	9,997,792	801,079	272,553	1,861,600	-	(110,525)	(16,055,659)	(3,233,160)
Item re-classified to statements of operations								-	
-loss on marketable securities	-	-	-	-	-	-	110,525		110,525
Shares issued as debt extinguishment	9,543,110	6,371,457	-	-	-	-	-	-	6,371,457
Shares issued as private placement	500,000	50,000	-	-	-	-	-	-	50,000
Shares issued as anti-dilution provision	10,329,983	5,034,157	1,862,643	-	-	-	-	-	6,896,800
Units issued as private placement	100,000	9,044	20,956	-	-	-	-	-	30,000
Units issued as private placement	236,364	133,271	126,729	-	-	-	-	-	260,000
Units issued as debt extinguishment	1,505,190	638,295	582,414	-	-	-	-	-	1,220,709
Exercise of warrants	518,683	986,667	(467,984)	-	-	-	-	-	518,683
Stock options expired	-	-	-	(60,143)	60,143	-	-	-	-
Stock based compensation	-	-	-	615,924	-	-	-	-	615,924
Net loss for the period, continuing operations	-	-	-	-	-	-	-	(13,534,298)	(13,534,298)
Net loss for the period, discontinued operations	-	-	-	-	-	-	-	2,711	2,711
Balance, August 31, 2016	**26,500,967**	**23,220,683**	**2,925,837**	**828,334**	**1,921,743**	**-**	**-**	**(29,587,246)**	**(690,649)**

***Reflects the February 1, 2016, one (1) for ten (10) consolidation**

(formerly: Eagleford Energy Corp.)

Consolidated Statements of Cash Flows
For the years ended August 31,
(Expressed in Canadian Dollars)

	2016	2015	2014
		Restated (Note 3 b)	Restated (Note 3 b)
Cash provided by (used in)			
Operating activities			
Net income (loss) from continuing operations	$(13,534,298)	$3,325,649	$(5,405,678)
Net income (loss) from discontinued operations (Note 16)	2,711	(4,762,461)	(608)
Net loss	(13,531,587)	(1,436,812)	(5,406,286)
Items not involving cash:			
Loss on settlement of debt (Note 9 and Note 10)	12,489,249	-	1,335,935
Impairment loss on marketable securities (Note 7)	120,125	-	-
Gain on disposal of subsidiary (Note 16)	(68,489)	(615,881)	-
Depletion and accretion	-	1,498	2,449
(Gain) loss on derivative liabilities (Note 11)	-	(2,653,591)	2,735,476
Accretion of secured note	-	475,755	-
Decommissioning obligation expenditure	-	(205)	(706)
Stock based compensation (Note 13 d)	615,924	112,693	-
Gain on expiry of derivative liabilities (Note 11)	(281,210)	(1,258,206)	(709,299)
Gain on settlement of litigation	-	(120,125)	-
Unrealized loss on marketable securities	-	167,815	-
Impairment loss on exploration and evaluation assets (Note 8)	-	4,490,045	1,315,276
Working capital adjustments:			
(Increase) decrease in other receivables	4,586	124,753	(84,499)
Increase in trade and other payables	198,704	153,479	331,480
Decrease in prepaid expenses and deposits	14,138	12,899	113,459
Increase (decrease) in deferred revenue	-	(177,804)	177,804
Net cash used in operating activities	(438,560)	(723,687)	(188,911)
Investing activities			
Additions to exploration and evaluations assets	-	(109,874)	(113,578)
Net cash used in investing activities	-	(109,874)	(113,578)
Financing activities			
Warrants exercised	518,683	-	-
Private placement of shares	50,000	-	-
Private placement of units	290,000	-	-
Shareholders' loans	-	502,908	62,380
Loans payable	-	196,998	-
Secured note payable	-	-	83,629
Net cash provided by financing activities	858,683	699,906	146,009
Increase (decrease) in cash for the year	420,123	(133,655)	(156,480)
Net effect of exchange rate changes on cash	(2,332)	62,632	62,858
Cash, beginning of year	32,192	103,215	196,837
Cash, end of year	**$449,983**	$32,192	$103,215

1. a) Nature of Business

Intelligent Content Enterprises Inc., (formerly: Eagleford Energy Corp.) was amalgamated under the Business Corporations Act (*Ontario)* on November 30, 2009 ("ICE" or the "Company"). The Company filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. Through the Company's wholly owned Ontario subsidiary DoubleTap Daily Inc., (formerly: Digital Widget Factory Inc.) the Company is developing an online management and advertising platform that powers user and advertising engagement programs in real-time to desktop, mobile and portable devices (http://doubletap.co). Effective January 20, 2017, DoubleTap disposed of its investment in the Acquired Assets of Digital Widget Factory Inc., a Belize company (Note 3).The Company's registered office is located at 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1. The Company's common shares trade on the OTCQB under the symbol ICEIF and on the Canadian Securities Exchange under the symbol ISP. The Company's common shares are widely held.

The consolidated financial statements include the accounts of ICE, the legal parent, together with its wholly-owned subsidiaries, Ice Studio Productions Inc., incorporated in the Province of Ontario on June 16, 2016 ("ICE Studio") and DoubleTap Daily Inc. incorporated in the Province of Ontario on February 29, 2016, ("DoubleTap").

Effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta Ltd., a company operating in the province of Alberta ("1354166 Alberta"). The Company's former subsidiaries, Eagleford Energy, Zavala Inc., a Nevada company ("Zavala Inc."), and its' wholly owned subsidiary EEZ Operating Inc., a Texas company ("EEZ Operating") were disposed of effective August 31, 2015 and Dyami Energy LLC., a Texas company ("Dyami Energy") was dissolved effective April 3, 2014 (Note 16).

b) Going Concern

These consolidated financial statements (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of developing its advertising platform and has not yet realized profitable operations. Previously the Company was an Exploration and Evaluation company with interests in Alberta, Canada and Texas, USA. The Company requires additional financing for its working capital and for the costs of development, content creation and marketing of its platform.

Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, or other means of funding its operations, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

The Company has accumulated significant losses and negative cash flows from operations in recent years which raise doubt as to the validity of the going concern assumption. As at August 31, 2016, the Company has working capital deficiency of $690,649 (2015: working capital deficiency $3,233,160) and an accumulated deficit of $29,587,246 (2015: $16,055,659). These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. The Consolidated Financial Statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying Consolidated Financial Statements.

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 interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"). The policies applied in these Consolidated Financial Statements are based on IFRS issued and outstanding as of January 1, 2016. The Board of Directors approved the Consolidated Financial Statements on March 13, 2017.

Basis of Measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

Functional and Presentation Currency

The functional and presentation currency of the parent ICE and its wholly owned subsidiaries ICE Studio and DoubleTap is Canadian dollars. The functional currency of the Company's former wholly-owned subsidiaries, Zavala Inc., EEZ Operating and Dyami Energy was United States dollars.

Use of Estimates and Judgements

The preparation of the Consolidated Financial Statements in accordance with IFRS requires that management make estimates and assumptions and use judgment regarding the measured amounts of assets, liabilities and contingent liabilities at the date of the Consolidated Financial Statements and reported amounts of revenue and expenses during the reporting period. Such estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Consolidated Financial Statements are:

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is an uncertainty regarding the Corporation's ability to continue as a going concern (see Note 1 b).

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Fair Value of Derivative Liabilities

The Company is exposed to risks related to changes in its share prices, foreign exchange rates, interest rate and volatility rates used to determine the estimated fair value of its derivative liabilities. In the determination of the fair value of these instruments, the Company utilizes certain independent values and, when not available, internal financial models which are based primarily on observable market data. Management's judgment is required in the development of these models. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, discount rates and dividend yield.

Settlement of Debt with Equity Instruments

Equity instruments issued to a creditor to extinguish a financial liability are measured at the fair value of the equity instruments at the date the financial liability is extinguished. The Company estimates the fair value of warrants using the Binomial Lattice pricing model and further assumptions including the expected life, volatility, discount rates and dividend yield. The fair value of the units comprising shares and warrants issued in connection with the extinguishment of a financial liability are then prorated to the total market value of the common shares.

Fair Value of Stock Based Compensation and Warrants

In determining the fair value of share based payments the calculated amounts are not based on historical cost, but is derived based on assumptions (such as the expected volatility of the price of the underlying security, expected hold period before exercise, dividend yield and the risk-free rate of return) input into a pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options and compensation warrants before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period; dividend yield; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or compensation warrants and they are not transferable. Similar calculations are made in estimating the fair value of the warrant component of an equity unit. The assumptions used in these calculations are inherently uncertain. Changes in these assumptions could materially affect the related fair value estimates.

3. Correction of Prior Period Errors

a) Following a settlement entered into regarding an asset acquisition entered effective February 29, 2016, the Company then determined it was required to correct a prior period error for accounting purposes under IAS 8 as discussed below.

The Company negotiated an Asset Purchase Agreement to be effective February 29, 2016, with an expectation to acquire the net assets (the "Acquired Assets") of Digital Widget Factory Inc., a Belize company (the "Vendor"), in an all-stock transaction by issuing 12,500,000 common shares and 5,750,000 Series A preferred shares of ICE to the Vendor (the "Transaction"). On this basis the proposed Series A preferred shares would be convertible into units of ICE with each unit comprised of 1 common share and 1 common share purchase warrant entitling the holder to acquire an additional common share of ICE for $0.35 for up to 3 years (the common shares and the preference shares are hereafter referred to as the "Proposed Purchase Price Shares").

The essential components of the proposed Acquired Assets are an intelligent content platform technology developed by Digital Widget Factory Inc. and a series of related websites under the url digiwdgy.com (the "DWF Technology"). The fair value of the Transaction was estimated at $9,530,250 and to be paid through the issuance by the Company of the Proposed Purchase Price Shares. The purchase price allocation to the fair value of the assets recorded as at February 29, 2016 was as follows:

Consideration:		
Fair Value of Issuance of 12,500,000 common shares	$	5,071,125
Fair Value of Issuance of 5,750,000 Series A preferred shares		4,459,125
Total consideration	$	9,530,250
Allocated to:		
Intangible assets-technology	$	9,530,250
Transaction Costs:		
Financial advisory, legal and other expenses	$	30,550

Subsequent to February 29, 2016, the Company management came to the conclusion that certain representations and warranties made by the Vendor pursuant to the DWF Agreement were conceivably deficient and would not survive the one year period of Indemnification. Management contends that if the Company had this information as at February 29, 2016, management would not have likely completed the transaction and the Proposed Purchase Price Shares would not have been issued. On November 24, 2016, the Company advanced a Notice of Claim to the Vendor under the DWF Agreement.

On December 22, 2016, it was agreed that all disputed matters contained in the DWF Agreement, be resolved in a Settlement Agreement whereby the Company agreed to return the Acquired Assets to the Vendor and the Vendor agreed to return the Proposed Purchase Price Shares paid back to the Company such that best efforts were made so that each party be in the same or similar position it was as at February 29, 2016 had the Transaction not occurred.

The Settlement Agreement closed effective January 20, 2017, when the Vendor returned to the Company the Proposed Purchase Price Shares comprised of 12,500,000 common shares and 5,750,000 Series A preferred shares previously issued to the Vendor and a full and final release in favor of the Company in respect of all obligations under the DWF Agreement. The Proposed Purchase Price Shares have been cancelled in the capital stock of the Company and the Company no longer has any interest in the DWF Technology and the series of digiwidgy.com websites.

The correction of the Prior Period Error are described in detail as follows:

Unaudited Interim Condensed Consolidated Statements of Financial Position February 29, 2016	As Previously Reported	Impact of Prior Period Error Restatement	Notes	As Restated
Intangible assets	9,530,250	(9,530,250)	A	-
Common shares	(26,652,104)	5,042,925	B	(21,609,179)
Preferred shares	(4,459,125)	4,459,125	C	-
Accumulated deficit	30,822,909	28,200	D	30,851,109
Shareholders' equity	9,415,118	(9,530,250)	E	(115,132)

Unaudited Interim Condensed Consolidated Statements of Financial Position May 31, 2016	As Previously Reported	Impact of Prior Period Error Restatement	Notes	As Restated
Intangible assets	9,530,250	(9,530,250)	A	-
Common shares	(27,413,109)	5,040,575	B	(22,372,534)
Preferred shares	(4,459,125)	4,459,125	C	-
Accumulated deficit	31,675,662	30,550	D	31,706,212
Shareholders' equity	9,624,622	(9,530,250)	E	94,372

Unaudited Interim Condensed Consolidated Statements of Operations

	Three months ended February 29, 2016				Six months ended February 29, 2016		
	As Previously Reported	Impact of Prior Period Error Restatement	As Restated	Notes	As Previously Reported	Impact of Prior Period Error Restatement	As Restated
General and administrative, legal fees	76,187	28,200	104,387	F	139,762	28,200	167,962
Net loss from continuing operations	(497,464)	(28,200)	(525,664)	G	(12,804,574)	(28,200)	(12,832,774)
Net loss	(494,140)	(28,200)	(522,340)	G	(12,799,745)	(28,200)	(12,827,945)
Net loss and comprehensive loss	(494,140)	(28,200)	(522,340)	G	(12,689,220)	(28,200)	(12,717,420)
Loss per share, basic - continuing operations	$(0.020)	$(0.002)	$(0.022)	H	$(0.827)	$(0.005)	$(0.832)
Weighted average shares outstanding, basic	24,295,732	(137,363)	24,158,369	H	15,486,905	(68,661)	15,418,224

Unaudited Interim Condensed Consolidated Statements of Operations

	Three months ended May 31, 2016				Nine months ended May 31, 2016		
	As Previously Reported	Impact of Prior Period Error Restatement	As Restated	Notes	As Previously Reported	Impact of Prior Period Error Restatement	As Restated
General and administrative, legal fees	99,816	2,350	102,166	F	239,578	30,550	270,128
Net loss from continuing operations	(852,752)	(2,350)	(855,102)	G	(13,657,327)	(30,550)	(13,687,877)
Net loss	(852,752)	(2,350)	(855,102)	G	(13,652,498)	(30,550)	(13,683,048)
Net loss and comprehensive loss	(852,752)	(2,350)	(855,102)	G	(13,541,973)	(30,550)	(13,572,523)
Loss per share, basic - continuing operations	$(0.022)	$(0.011)	$(0.033)	H	$(0.589)	$(0.134)	$(0.723)
Weighted average shares outstanding, basic	38,290,886	(12,500,000)	25,790,886	H	23,173,585	(4,242,701)	18,930,884

Notes

A) The Company recorded a Prior Period Error of $9,530,250 as an increase to intangible assets on the Unaudited Interim Condensed Consolidated Statements of Financial Position for the period ended February 29, 2016 and May 31, 2016.

B) The Company recorded a Prior Period Error of $5,040,575 as an increase to common shares on the Unaudited Interim Condensed Consolidated Statements of Financial Position for the period ended February 29, 2016 and May 31, 2016.

C) The Company recorded a Prior Period Error of $4,459,125 as an increase to preferred shares on the Unaudited Interim Condensed Consolidated Statements of Financial Position for the period ended February 29, 2016 and May 31, 2016.

D) As a result of the Prior Period Error, the Company reallocated legal fees of $28,200 and $30,550 from common shares and increased accumulated deficit on the Unaudited Interim Condensed Consolidated Statements of Financial Position for the period ended February 29, 2016 and May 31, 2016, respectively.

E) As a result of the Prior Period Error the Company's shareholders' equity has been decreased by $9,530,250.

F) As a result of the Prior Period Error, the Company reallocated legal fees of $28,200 and $30,550 as an increase to general and administrative costs on the Unaudited Interim Condensed Consolidated Statements of Operations for the period ended February 29, 2016 and May 31, 2016, respectively.

G) As a result of the increases of $28,200 and $30,550 to general and administrative costs the Company recorded a corresponding increase in net loss from continuing operations, net loss and net loss and comprehensive loss on the Unaudited Interim Condensed Consolidated Statements of Operations for the period ended February 29, 2016 and May 31, 2016,respectively.

H) As a result of the above increases to net loss, the Company recorded an increase to net loss per share for the three and six months ended February 29, 2016 of $(0.002) and $(0.005) and for the three and nine months ended May 31, 2016, the Company recorded an increase to net loss per share of $(0.11) and $(0.134), respectively. Weighted average shares were reduced for each period as set out above.

b) During the year ended August 31, 2016, the Company corrected the accounting for prior period errors as noted below. As a result certain amounts have been re-stated from 2015 and 2014 to reflect these changes. The previously issued audited consolidated financial statements for the year ended August 31, 2015 and 2014 and the unaudited interim condensed consolidated financial statements for the quarters ending November 30, 2014, February 28, 2015 and May 31, 2015 (the "Affected Statements") have not been restated. The Company has restated the opening statement of financial position at September 1, 2014 and the audited consolidated financial statements for the year ended August 31, 2015. Readers of the Affected Statements are cautioned that they should be read in conjunction with audited Consolidated Financial Statements.

The prior period error is described in detail as follows:

During the fiscal year ended August 31, 2014 and 2015 17,092 warrants valued at $709,299 and 61,335 warrants valued at $1,258,206 expired and were accounted for incorrectly in equity as an increase to contributed surplus. Since these warrants were classified as derivative warrant liabilities on the Company's statement of financial position at the initial date of the transaction, expiry would be considered an extinguishment of the liability in accordance with IAS39 and any gain or loss recognized in the statement of operations in the period the warrants expired. The Company has corrected these errors retrospectively by recognizing the gains on expiry of the warrant liability in the statement of operations in 2014 and 2015 as noted below. The impact of these changes on the financial statements are set out as follows:

Consolidated Statements of Financial Position August 31, 2015	As Previously Reported	Impact of Restatement	Note	As Restated
Contributed surplus	3,829,105	(1,967,505)	A	1,861,600
Deficit	(18,023,164)	1,967,505		(16,055,659)
Total shareholders' equity (deficiency)	(3,233,160)	-		(3,233,160)

Consolidated Statements of Financial Position August 31, 2014	As Previously Reported	Impact of Restatement	Note	As Restated
Contributed surplus	1,389,898	(709,299)	B	680,599
Deficit	(15,328,146)	709,299		(14,618,847)
Total shareholders' equity (deficiency)	(2,719,435)	-		(2,719,435)

Consolidated Statements of Operations For the year ended August 31, 2015	As Previously Reported	Impact of Restatement	Note	As Restated
Gain on expiry of derivative liabilities	-	1,258,206	C	1,258,206
Net income from continuing operations	2,067,443	1,258,206		3,325,649
Net loss	(2,695,018)	1,258,206		(1,436,812)

Consolidated Statements of Operations For the year ended August 31, 2014	As Previously Reported	Impact of Restatement	Note	As Restated
Gain on expiry of derivative liabilities	-	709,299	D	709,299
Net loss from continuing operations	(6,114,977)	709,299		(5,405,678)
Net loss	(6,115,585)	709,299		(5,406,286)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency) For the year ended August 31, 2015	As Previously Reported	Impact of Restatement	Note	As Restated
Contributed surplus	3,829,105	(1,967,505)	E	1,861,600
Deficit	(18,023,164)	1,967,505		(16,055,659)
Total shareholders' equity (deficiency)	(3,233,160)	-		(3,233,160)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency) For the year ended August 31, 2014	As Previously Reported	Impact of Restatement	Note	As Restated
Contributed surplus	1,389,898	(709,299)	F	680,599
Deficit	(15,328,146)	709,299		(14,618,847)
Total shareholders' equity (deficiency)	(2,719,435)	-		(2,719,435)

Consolidated Statements of Cash Flows For the year ended August 31, 2015	As Previously Reported	Impact of Restatement	Note	As Restated
Cash provided by (used in)				
Operating activities				
Net loss	(2,695,018)	1,258,206	G	(1,436,812)
Gain on expiry of derivative liabilities	-	(1,258,206)		(1,258,206)
Net cash used in operating activities	(723,687)	-		(723,687)

Consolidated Statements of Cash Flows For the year ended August 31, 2014	As Previously Reported	Impact of Restatement	Note	As Restated
Cash provided by (used in)				
Operating activities				
Net loss	(6,115,585)	709,299	H	(5,406,286)
Gain on expiry of derivative liabilities	-	(709,299)		(709,299)
Net cash used in operating activities	(188,911)	-		(188,911)

Notes

A) During the year ended August 31, 2015, 52,875 and 8,460 derivative warrants expired and $1,258,206 that had been recorded as an increase to contributed surplus has been reallocated as a decrease in deficit on the Consolidated Statements of Financial Position.

B) During the year ended August 31, 2014, 17,092 derivative warrants expired and $709,299 was previously recorded as an increase to contributed surplus has been reallocated as an decrease to deficit on the Consolidated Statements of Financial Position.

C) During the year ended August 31, 2015, 52,875 and 8,460 derivative warrants expired and $1,258,206 was recorded as a gain on expiry of derivative warrants on the Consolidated Statements of Operations.

D) During the year ended August 31, 2014, 17,092 derivative warrants expired and $709,299 was recorded as a gain on expiry of derivative warrants on the Consolidated Statements of Operations.

E) During the year ended August 31, 2015, 52,875 and 8,460 derivative warrants expired and $1,258,206 that had been recorded as an increase to contributed surplus has been reallocated as a decrease to deficit on the Consolidated Statements of Changes in Shareholders' Equity (Deficiency).

F) During the year ended August 31, 2014, 17,092 derivative warrants expired and $709,299 that had been recorded as an increase to contributed surplus has been reallocated as a decrease to deficit on the Consolidated Statements of Changes in Shareholders' Equity (Deficiency).

G) During the year ended August 31, 2015, the Company recorded a decrease of $1,258,206 in net loss on the Consolidated Statements of Cash Flows.

H) During the year ended August 31, 2014, the Company recorded a decrease of $709,299 in net loss on the Consolidated Statements of Cash Flows.

4. Summary of Significant Accounting Policies

Basis of Consolidation

Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of the subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the Consolidated Financial Statements. The Consolidated Financial Statements include the accounts of the Company, the legal parent, together with its wholly-owned subsidiaries, Ice Studio and DoubleTap.

Revenue Recognition

Revenue is recognized when there is persuasive evidence that an arrangement exits which is when a contract or sales order is signed by both parties, delivery has occurred, ownership has been transferred to the customer, price is fixed or determinable and ultimate collection is reasonably assured at the time of delivery.

Revenues from the production of oil and gas properties from 1354166 Alberta were recognized, on the basis of the Company's working interest in those properties, when the significant risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes to an external party.

Foreign Currency
Items included in the Consolidated Financial Statements of each of the Company's wholly owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in profit or loss.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the foreign currency translation reserve under other comprehensive income.

Earnings (Loss) per Share
The basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The diluted earnings per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net income (loss) applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation.

Discontinued Operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Effective August 31, 2015, the Company assigned all of its right, title and interest in Zavala Inc., as partial settlement of a secured convertible note payable and effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta and accordingly their operations have been treated as discontinued operations.

Financial Instruments
Classification and Measurement
Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit and loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "other financial liability" as defined by IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at "fair value through profit or loss" and are measured at fair value with changes in fair value recognized in the statement of operations. Transaction costs are expensed when incurred. The Company has classified cash and derivative liabilities as "fair value through profit and loss".

Financial instruments classified as "loans and receivables", "held-to-maturity", or "financial liabilities" are measured at amortized cost using the effective interest rate method of amortized cost. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity.

"Other financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through profit or loss". The Company has classified trade and other payables, loans payable, provisions and shareholders' loans as "other financial liabilities".

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. The Company has classified its marketable securities as "available for sale".

Cash
Cash in the statement of financial position comprise cash held in banking institutions.

Marketable Securities
At each financial reporting period, the Company estimates the fair value of investments which are available-for-sale, which could be based on quoted closing bid ask spread prices or other measures for unquoted instruments. Adjustments to the fair value of the marketable securities at the financial position date are recorded to other comprehensive income until re-classified to the statement of operations.

Derivative Financial Instruments
The Company's derivative instruments consist of derivative liabilities in relation to its i) anti-dilution units issued; and ii) its previous secured convertible note payable; and iii) share purchase warrants with a US Dollar exercise price.

i) The Company has issued Units that contain an anti-dilution provision such that if within 18 months of the issue date, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than issue price (the "Adjusted Price") the Holder shall be entitled to receive (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under the agreement will equal the number of Units that the Holder would otherwise be entitled to receive had the transaction occurred at the Adjusted Price. The anti-dilution provision is considered a derivative and requires fair value measurement at each reporting period. During the reporting periods August 31, 2016, 2015 and 2014 the Company determined that based on the market price being greater than the issue price per share, no additional common shares were required to be fair valued and recorded as a derivative liability.

ii) The Company had a secured convertible note payable that had a conversion feature which could convert any unpaid principal and accrued interest into conversion units. A conversion unit was comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The price of the conversion unit was the lesser of a price equal to the 30-day rolling weighted average price of the Company's common shares as of the date of conversion, less 20% or US$0.80 per share the ("Conversion Unit"). The terms and features of the conversion met the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contained a variable exercise/conversion price, the Conversion Unit met the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". As a result, the Conversion Unit was a derivative liability that required fair value measurement each reporting period. The Company had selected the Binomial Lattice model to fair value the warrant component of the conversion unit and the Monte Carlo Simulations process for the common share component of the Conversion Unit.

iii) In prior years, the Company had issued share purchase warrants with an exercise price in US dollars, rather than Canadian dollars (the functional currency of the Company). Such share purchase warrants are derivative instruments and the Company was required to re-measure the fair value at each reporting date. The fair value of these share purchase warrants are re-measured at each reporting date using the Black-Scholes option pricing model with changes recorded to the statement of operations.

Impairment

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. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of operations. 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 the reversal is recognized in profit or loss.

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of operations except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income Tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and asset and they relate to the income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise under the initial recognition exemption other than in a business combination.

Share-Based Compensation

The Company has a share-based compensation plan that grants stock options to employees and non-employees. This plan is an equity settled plan. The Company uses the fair value method for accounting for share-based awards to employees and non-employees.

The fair value determined at the grant date of the equity-settled share-based payments is expensed 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 contributed surplus.

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 Company obtains the goods or the counterparty renders the service.

Warrants
When the Company issues units comprising common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of the common shares is estimated and the fair value of the warrants issued is estimated using an option pricing model. The fair value is then prorated to the total of the net proceeds received on issuance of the common shares and the warrants.

5. Recent Accounting Pronouncements and Recent Adopted Accounting Standards

Recent Issued Accounting Pronouncements
The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

(i) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective September 1, 2018.

(ii) In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments – Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the Consolidated Financial Statements.

(iii) On January 13, 2016, the IASB issued IFRS 16 Leases ("IFRS 16") which will replace IAS 17, Leases. IFRS 16 will bring leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is assessing the impact of this new standard on the Consolidated Financial Statements.

(iv) Amendments to IFRS 2 - Classification and measurement of Share-based payment transactions ("IFRS 2"): On June 20, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively, retrospectively, or early application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and

- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its Consolidated Financial Statements for the annual period beginning on September 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(v) Amendments to IAS 7 – Disclosure initiative: On January 7, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Company intends to adopt the amendments to IAS 7 in its Consolidated Financial Statements for the annual period beginning on September 1, 2017. The Company does not expect the amendments to have a material impact on the Consolidated Financial Statements.

(vi) Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses: On January 19, 2016 the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company intends to adopt the amendments to IAS 12 in its Consolidated Financial Statements for the annual period beginning on September 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

Recent Adopted Accounting Standards

The following standards, amendments and interpretations have been adopted by the Company as of September 1, 2016. There were no material impacts on the Consolidated Financial Statements as a result of the adoption of these standards, amendments and interpretations: (i) IFRS 11, Joint Arrangements, the annual improvement projects and IAS 1 Disclosure Initiative.

6. Segmented Information

The Company's reportable and geographical segments are Canada and previously the United States. The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Effective August 31, 2015, the Company discontinued its reportable segment in the United States. The following tables show information regarding the Company's reportable segments.

For the year ended August 31, 2016	Canada $	United States $	Total $
Net loss, continuing operations	(13,534,298)	-	(13,534,298)
Net income (loss), discontinued operations	8,731	(6,020)	2,711
Net loss	(13,525,567)	(6,020)	(13,531,587)

For the year ended August 31, 2015	Canada $	United States $	Total $
Net income, continuing operations	3,325,649	-	3,325,649
Net loss, discontinued operations	-	(4,762,461)	(4,762,461)
Net loss	3,325,649	(4,762,461)	(1,436,812)

For the year ended August 31, 2014	Canada $	United States $	Total $
Net loss, continuing operations	(5,405,678)	-	(5,405,678)
Net loss, discontinued operations	-	(608)	(608)
Net loss	(5,405,678)	(608)	(5,406,286)

As at August 31, 2016	**Canada $**	**United States $**	**Total $**
Total Assets	482,582	-	482,582
Total Liabilities	(1,173,231)	-	(1,173,231)

As at August 31, 2015	Canada $	United States $	Total $
Total Assets	93,115	-	93,115
Total Liabilities	(3,326,275)	-	(3,326,275)

As at September 1, 2014	Canada $	United States $	Total $
Total Assets	179,888	5,117,040	5,296,928
Total Liabilities	(6,991,287)	(1,025,076)	(8,016,363)

7. Marketable Securities

As at August 31, 2016, the Company held 1,200,000 common shares in Stratex Oil & Gas Holdings, Inc. (“Stratex”). As at August 31, 2015, the Company recorded a change in the fair value of the securities in other comprehensive income (loss) in the amount of $110,525. For the year ended August 31, 2016, the Company re-classified the impairment of $110,525 from other comprehensive income (loss) to the statement of operations and recorded a further impairment of $9,600 as a result of the Stratex common shares being fair valued at nil.

Market value on acquisition	$120,125
Change in fair value	(110,525)
Market value, August 31, 2015	$ 9,600
Impairment	(9,600)
Market value, August 31, 2016	$-

8. Exploration and Evaluation Assets

Cost	
Balance August 31, 2014	$5,036,592
Additions	109,874
Change in decommissioning obligation estimates	(11,253)
Impairment of Matthews Lease (Note 16 a)	(4,490,045)
Disposal of Zavala Inc. (Note 16 a)	(1,212,996)
Foreign exchange	567,828
Balance August 31, 2015 and August 31, 2016	**$-**

The Company's exploration and evaluation assets were located in Texas, USA. On July 2, 2015, the 2,629 acre Matthews Lease transitioned into its production unit phase and a total of 340 acres were held as production units. Accordingly, the Company impaired the lease down to fair value of $1,212,996 and recorded an impairment of exploration and evaluation assets at August 31, 2015 of $4,490,045. Effective August 31, 2015, the Company disposed of Zavala Inc. upon the assignment of Zavala Inc.'s common shares as partial satisfaction of the secured note extinguishment (Note 10 and16 a).

9. Related Party Transactions and Balances

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the amount agreed to by the related parties.

Compensation of Key Management Personnel
The remuneration of directors and other members of key management personnel during the periods set out were as follows:

	August 31, 2016	August 31, 2015	August 31, 2014
Short term employee benefits (1)	$60,000	$150,000	$75,000
Stock based compensation (2)	615,924	84,520	-
	$675,924	$234,520	$75,000

The following balances owing to the former President of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	August 31, 2016	August 31, 2015
Short term employee benefits payable (1)	$40,000	$125,000
	$40,000	$125,000

(1) During the year ended August 31, 2015, the Company accrued management fees for the former President of the Company at a rate of $12,500 per month. On August 31, 2015, the former President forgave $306,250 of management fees. Commencing September 1, 2015, the Company accrued management fees for the former President of the Company at a rate of $5,000 per month. On February 26, 2016, the former President assigned $145,000 of management fees to an arms-length third party.

(2) On November 12, 2014, the Company granted options to purchase 75,000 common shares to three directors and on April 1, 2016, the Company granted options to purchase 300,000 common shares to a director (Note 13 d).

As at August 31, 2016, the amount of outstanding directors' fees included in trade and other payables was $7,100 (August 31, 2015: $21,600). On February 29, 2016, Mr. Klyman, a former director of the Company agreed to convert outstanding directors' fees due of $7,400 into 24,667 units of the Company (Note 10).

As at August 31, 2016, the Company had a promissory note payable to the former President of the Company of $Nil (August 31, 2015: $10,000). For the year ended August 31, 2016, the Company recorded interest on the promissory note of $496 (August 31, 2015: $838). As at August 31, 2016, included in trade and other payables is outstanding interest of $Nil (August 31, 2015: $111,009). On February 26, 2016, the former President assigned the promissory note of $10,000 and all interest due in the amount of $113,844 to an arms-length third party. The note was due on demand at a rate of 10% per annum. Effective November 18, 2015, the Company issued to the former President 1,140,090 Units in the capital of the Company pursuant to the anti-dilution provision contained in the August 30, 2014, debt conversion agreements. On February 29, 2016, the former President converted $38,239 in outstanding debt into 127,462 units in the capital of the Company (Note 10).

As at August 31, 2016, the Company had a note payable to Core Energy Enterprises Inc. ("Core") of $Nil (August 31, 2015: $329,588 (US$249,250). For the year ended August 31, 2016, the Company recorded interest on the promissory note of $Nil (August 31, 2015: $32,958). As at August 31, 2016, included in trade and other payables, is interest of $Nil (August 31, 2015: $$33,049). Effective November 18, 2015, the Company entered into a shares for debt conversion agreement and converted a note and interest due in the aggregate amount of $362,793 through the issuance of 2,742,430 common shares in the capital of the Company. The fair value of the common shares $1,830,983 was recorded as an increase to common shares and $1,468,190 was recorded as a loss on settlement of debt in the statement of operations. The former President of the Company is a major shareholder, officer and a director of Core (Note 10).

10. Secured Note Payable, Shareholders' Loans, Notes Payable and Debt Conversion

Secured Note Payable

As at August 31, 2014, the Company had a secured convertible promissory note payable to Benchmark Enterprises LLC. ("Benchmark") with a face value of $1,322,347 (US$1,216,175) with an interest rate of 10% (the "Note"). The Note was being accreted up to its face value over the life of Note, based on an effective interest rate. For the year ended August 31, 2015, the Company recorded interest on the Note of $154,179. The Note was due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Company of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default. The Note was secured by all of the assets of the Company and Zavala Inc. Benchmark had the option at any time while the Note was outstanding to convert any unpaid principal and accrued interest into conversion units.

In accordance with the terms of the Note and the General Security Agreement (the "Loan Agreements") the Company had granted and conveyed to Benchmark a first priority security interest in the Company and Zavala Inc., prior and superior to the rights of all third parties existing on or arising after the date of such Loan Agreements, subject to the Permitted Liens.

At August 31, 2015, the Company was unable to pay the Note due in the amount CDN$1,608,149 plus interest of CDN$154,179, totaling CDN$1,762,328, which constituted an event of default pursuant to the terms of the Loan Agreements. Benchmark, having made demand for payment of all amounts owed to it under the Note, gave notice to the Company that it intended to exercise its security on the Company's assets. In an effort to avoid further costs, the Company and Benchmark entered into a Settlement and Exercise of Security Agreement effective August 31, 2015, with the following terms:

1. Effective August 31, 2015, the Company assigns and conveys to Benchmark all of its rights, title and interest in and to Zavala Inc., including but not limited to all of the issued and outstanding common shares of Zavala Inc.; and
2. Issuance of 1,000,000 shares of common stock of the Company.

As a result the Company's extinguishment of the Note, the Company's investment in Zavala Inc. had been derecognized from the Company's Consolidated Financial Statements as at August 31, 2015 (Note 16 a). The fair value of the common shares was determined to be equal to the fair value of the secured note settled The following table presents the effect of the extinguishment of the Note on the Consolidated Financial Statements of the Company:

	August 31, 2015
Secured note payable settled	$1,608,149
Interest payable settled	154,179
Net assets and liabilities of Zavala Inc. transferred (Note 16 a)	(836,717)
Common shares issued (Note 13 b (b))	(925,611)
	$-

Shareholder Loans

As at August 31, 2016, the Company had shareholders' loans payable of $Nil (August 31, 2015: $339,588). For the year ended August 31, 2016, the Company recorded interest of $Nil on shareholders' loans (August 31, 2015: $86,611). As at August 31, 2016 included in trade and other payables, is interest on shareholders' loans of $Nil (August 31, 2015: $86,848).

Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 1,475,712 units in the capital of the Company at a price of $0.80 per unit. Each unit was comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$1.00 until August 30, 2017 (the "Units"). The fair value of the Units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as loss on settlement of debt. The terms of the August 30, 2014, conversion agreements contained an anti-dilution provision such that if within 18 months of this the effective date, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than CDN$0.80 (the "Adjusted Price") the Holder herein shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price. During the reporting periods August 31, 2015 and 2014, the Company had determined that based on the market price of the Company's common shares being greater than the Unit issue price per share, no additional common shares were required to be fair valued and recorded as a derivative liability.

Effective November 18, 2015, the Company issued a total of 10,329,983 Units in the capital of the Company pursuant to the Adjusted Price. The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock. The fair value of the units of $6,896,800 was allocated to the common shares in the amount of $5,034,157 and warrants in the amount of $1,862,643 based on their relative fair values and $6,896,800 was recognized as a loss on settlement of debt in the statement of operations. Significant assumptions utilized in the Binomial Lattice process for the warrant component of the conversion were as follows:

	November 18, 2015
Market value on valuation date	$0.67
Contractual exercise rate	$1.00
Term	1.79 Years
Expected market volatility	183.30%
Risk free rate using zero coupon US Treasury Security rate	0.90%

Loans Payable

As at August 31, 2016, the Company had loans payable of $Nil (August 31, 2015: $1,063,105). For the year ended August 31, 2016, the Company recorded interest on the loans payable of $4,945. As at August 31, 2016, included in trade and other payables, is interest of $Nil (August 31, 2015: $15,619). The loans were payable on demand with interest at 10% per annum. Effective November 18, 2015, the Company entered into shares for debt conversion agreements and converted loans and interest due in the aggregate amount of $899,660 through the issuance of 6,800,680 common shares in the capital of the Company. The fair value of the common shares $4,540,474 was allocated to common shares and $3,640,814 was recorded as loss on settlement of debt in the consolidated statement of operations (Note 13 (b) (c)).

On February 29, 2016, the Company entered into asset purchase and debt settlement agreement and converted loans and interest in the aggregate amount of $277,473 in exchange for the Company's 0.03% net smelter return royalty on 8 mining claim blocks located in Red Lake, Ontario which were carried on the consolidated statement of financial position at $Nil. Accordingly, the Company recorded a gain on settlement of debt for the full amount.

Debt Conversion

On February 29, 2016, the Company entered into shares for debt conversion agreements and converted debt in the aggregate amount of $451,557 through the issuance of 1,505,190 units in the capital of the Company. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $0.35 until March 1, 2019. The fair value of the Units $1,220,709 was allocated to common shares in the amount of $638,295 and warrants in the amount of $582,414 based on their relative fair values and $769,152 was recognized as a loss on extinguishment of debt in the consolidated statement of operations. The units are subject to the terms and conditions of a Lock-up and Leak-out Agreement. Under the terms of Lock-up and Leak-out Agreement the Holder may not offer, sell, contract to sell, grant any option to purchase, hypothecate, pledge or otherwise dispose of or transfer title to any of the Purchase Price Shares during the period commencing on the February 29, 2016 and ending on November 30, 2016 (the "Lockup Period"). During the 12 month period following the Lockup Period, if Holders sales are less than 25% in any such three month period, the unsold portion shall carry forward into the next three month period (the "Lock-up and Leak-out Agreement").

Significant assumptions utilized in the Binomial Lattice process for the warrant component of the conversion were as follows:

	February 29, 2016
Market value on valuation date	$0.81
Contractual exercise rate	$0.35
Term (years)	3 Years
Expected market volatility	169.73%
Risk free rate using zero coupon US Treasury Security rate	0.91%

11. Derivative Liabilities

At August 31, 2016, the Company recorded a gain on the fair value movement of derivative warrant liabilities of $Nil (August 31, 2015: a gain on derivative liabilities of $2,653,591 comprised of a loss on derivative warrant liabilities of $214,109 and a gain derivative unit liabilities of $2,867,700) (August 31, 2014: loss of $2,735,476 comprised of a loss on derivative warrant liabilities of $57,725 and a loss on derivative unit liabilities of $2,677,751).

At August 31, 2016, the Company recorded a gain on expiry of derivative warrant liabilities of $281,210 (August 31, 2015: $1,258,206; August 31, 2014 $709,299).

Derivative Warrant Liabilities

As at August 31, 2016, the Company had derivative warrant liabilities of $Nil (August 31, 2015: $281,210). The Company had warrants issued with an exercise price in US dollars which are different from the functional currency of the Company and accordingly the warrants were treated as a financial liability. The fair value movement during the periods were recognized in the profit or loss.

The following table set out the changes in derivative warrant liabilities during the respective periods.

	Number of Warrants	Fair Value Assigned $	Average Exercise Price $
As at August 31, 2013	91,476	1,976,883	US 47.20
Warrants expired	(17,093)	(709,299)	(9.30)
Change in fair value estimates	-	57,723	-
As at August 31, 2014	74,383	1,325,307	US 37.40
Warrants expired	(61,335)	(1,258,206)	US (46.66)
Change in fair value estimates	-	214,109	-
As at August 31, 2015	13,048	281,210	US 46.66
Warrants expired	(13,048)	(281,210)	US (46.66)
Warrants issued	1,750,000	-	CDN 1.50
As at August 31, 2016	**1,750,000**	**-**	**CDN 1.50**

On August 31, 2014, 17,093 warrants exercisable at US$50.00 expired and the fair value measured using the Black-Scholes option pricing model of $709,299 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On April 13, 2015, 18,750 and 3,000 warrants exercisable at US$50.00 and US$25.00, respectively expired and the fair value measured using the Black-Scholes option pricing model of $535,542 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On July 20, 2015, 9,125 and 1,460 warrants exercisable at US$50.00 and US$25.00, respectively expired and the fair value measured using the Black-Scholes option pricing model of $194,409 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On August 7, 2015, 25,000 and 4,000 warrants exercisable at US$50.00 and US$25.00, respectively expired and the fair value measured using the Black-Scholes option pricing model of $528,255 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On September 25, 2015, 11,249 and 1,799 warrants expired exercisable at US$50.00 and US$25.00, respectively expired and the fair value measured using the Black-Scholes option pricing model of $281,210 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On June 22, 2016, the Company entered into a consulting agreement and issued 1,750,000 common share purchase warrants exercisable at CDN $1.50 with a cashless exercise option, vesting on October 1, 2016, January 1, 2017, April 1, 2017 and July 1, 2017 and expiring June 21, 2021. At August 31, 2016, the Company determined that it would not continue with the agreement and it was subsequently suspended. Accordingly, the Company determined that as a result of no warrants exercised, no liability was recorded and subsequent to the year end the agreement was mutually terminated and no warrants were exercised.

The following table sets out the number of derivative warrant liabilities outstanding as at August 31, 2016, 2015 and 2014, respectively:

Number of Warrants 2016	Exercise Price CDN ($)	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
1,750,000	1.50	January 15, 2017	0.13	-

Number of Warrants 2015	Exercise Price US ($)	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
11,249	50.00	September 25, 2015	0.07	220,640
1,799	25.00	September 25, 2015	0.07	60,570
13,048			**0.07**	**281,210**

Number of Warrants 2014	Exercise Price US ($)	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
18,750	5.00	April 13, 2015	0.62	365,474
3,000	2.50	April 13, 2015	0.62	99,420
9,125	5.00	July 20, 2015	0.88	133,431
1,460	2.50	July 20, 2015	0.88	35,915
25,000	5.00	August 7, 2015	0.93	365,964
4,000	2.50	August 7, 2015	0.93	94,188
11,249	5.00	September 25, 2015	1.07	181,178
1,799	2.50	September 25, 2015	1.07	49,737
74,383			0.70	1,325,307

Derivative Unit Liabilities

As at August 31, 2016 and 2015, the Company had no derivative unit liabilities (August 31, 2014: $4,000,100). At August 31, 2014, the Company issued a face value $1,322,347 (US$1,216,175) Secured Convertible Promissory Note which gave rise to a derivative financial instrument (the "Note"). The Note had embodied certain terms and conditions that were not clearly and closely related to the host debt agreement in terms of economic risks and characteristics and met the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". These terms and conditions consisted of a conversion unit which was comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The Company had selected the Binomial Lattice model to fair value the warrant component of the conversion unit and the Monte Carlo Simulations process for the common share component contained in the conversion unit (Note 10).

12. Provisions

	Decommissioning Obligations
Balance, August 31, 2014	$47,543
Accretion expense	1,498
Change in estimates	(11,253)
Additions	98,357
Obligations settled	(205)
Disposal of Zavala Inc. (Note 16 a)	(102,143)
Foreign exchange	(22,234)
Balance, August 31, 2015	11,563
Disposal of 1354166 Alberta (Note 16 b)	(11,563)
Balance, August 31, 2016	$-

The Company's prior decommissioning obligations resulted from its ownership interests in petroleum and natural gas assets. The decommissioning obligations were based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future years.

13. Share Capital and Reserves

The Company filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares and the Consolidated Financial Statements have been adjusted accordingly.

a) Share Capital

Authorized:
Unlimited number of common shares at no par value
Unlimited number of preferred shares issuable in series

Common Shares Issued:
The following table sets out the changes in common shares during the respective periods:

	Number	Amount $
Balance August 31, 2014	2,767,637	9,072,181
Common shares issued upon the settlement of secured convertible note (Note 13 b (b))	1,000,000	925,611
Balance August 31, 2015	3,767,637	9,997,792
Common shares issued as debt extinguishment (Note 13 b (c))	9,543,110	6,371,457
Common shares issued as private placement(Note 13 b (d))	500,000	50,000
Common shares issued as anti-dilution provision (Note 13 b (e))	10,329,983	5,034,157
Common shares issued as private placement (Note 13 b (f))	100,000	9,044
Common shares issued as debt extinguishment (Note 13 b (g))	1,505,190	638,295
Common shares issued on exercise of warrants (Note 13 b (h))	518,683	986,667
Common shares issued as private placement (Note 13 b (i))	236,364	133,271
Balance August 31, 2016	**26,500,967**	**23,220,683**

Preferred Shares Issued:
As at August 31, 2016 and 2015 there are no preferred shares issued (Note 3 a).

b) Share Purchase Warrants

The following table sets out the changes in warrants during the respective periods:

	August 31, 2016		August 31, 2015	
Warrants	**Number of Warrants**	**Weighted Average Price**	Number of Warrants	Weighted Average Price
Outstanding, beginning of period	737,856	$1.00	929,356	$1.80
Warrants expired (Note 13 b (a)	-	-	(191,500)	$5.00
Warrants issued (Note 13 b (e))	5,164,992	$1.00	-	-
Warrants issued (Note 13 b (f))	100,000	$0.35	-	-
Warrants issued (Note 13 b (g))	1,505,190	$0.35	-	-
Warrants exercised (Note 13 b (h))	(518,683)	$1.00	-	-
Warrants issued (Note 13 b (i))	236,364	$1.25		
Balance, end of year	**7,225,719**	**$0.86**	737,856	$1.00

(a) On January 24, 2015, 60,000 common share purchase warrants exercisable at $5.00 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $507,038 with a corresponding increase to contributed surplus. On February 17, 2015, 131,500 common share purchase warrants exercisable at $5.00 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $662,851 with a corresponding increase to contributed surplus.

(b) Effective August 31, 2015, the Company entered into a Settlement and Exercise of Security Agreement to extinguish a secured convertible note payable in the amount of $1,608,149 plus interest of $154,179 for a total of $1,762,328. As partial consideration of the settlement the Company agreed to issue 1,000,000 shares of common stock of the Company with a fair value of $925,611 (Note 10).

(c) Effective November 18, 2015, the Company entered into shares for debt conversion agreements and converted loans and interest due in the aggregate amount of $1,262,453 through the issuance of 9,543,110 common shares in the capital of the Company. The fair value of $6,371,457 was recorded as an increase to common shares (Note 9 and10).

(d) Effective November 18, 2015, the Company completed a private placement for gross proceeds of $50,000 and issued 500,000 common shares in the capital of the Company at a purchase price of $0.10 per share.

(e) Effective November 18, 2015, the Company issued 10,329,983 Units in the capital of the Company pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements. Each unit was comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$1.00 until August 30, 2017. The fair value of the units of $6,896,800 was allocated to the common shares in the amount of $5,034,157 and warrants in the amount of $1,862,643 based on their relative fair values and $6,896,800 was recognized as a loss on settlement of debt in the statement of operations (Note 10).

(f) On February 29, 2016, the Company completed a private placement for gross proceeds of $30,000 and issued 100,000 units in the capital of the Company at a purchase price of $0.30 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $0.35 until March 1, 2019. The fair value of the units ($30,000) was allocated to common shares $9,044and the amount allocated to warrants component using a Binomial Lattice model was $20,956. The units are subject to the terms and conditions of a Lock-up and Leak-out Agreement (Note 10).

(g) On February 29, 2016, the Company entered into debt conversion agreements and converted debt in the aggregate amount of $451,557 through the issuance of 1,505,190 units in the capital of the Company. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $0.35 until March 1, 2019. The fair value of the Units $1,220,709 was allocated to common shares in the amount of $638,295 and warrants in the amount of $582,414 based on their relative fair values and $769,152 was recognized as a loss on extinguishment of debt in the consolidated statement of operations. The units are subject to the terms and conditions of a Lock-up and Leak-out Agreement (Note 10).

(h) During the year ended August 31, 2016, 518,683 common share purchase warrants were exercised at $1.00 for proceeds of $518,683. The amount allocated to warrants using a Binomial Lattice model was $467,984.

(i) On August 31, 2016, the Company completed private placements for gross proceeds of $260,000 and issued 236,364 units in the capital of the Company at a purchase price of $1.10 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $1.25 until August 31, 2019. The Subscription agreements contain an anti-dilution provision such that if within 18 months of August 31, 2016, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than $1.10 (the "Adjusted Price") the Holder shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price. At August 31, 2016, the Company determined that based on the market price of the Company's common shares being greater than the Unit issue price per share, no additional common shares were required to be fair valued and recorded as a derivative liability.

The fair value of the units $260,000 was allocated to common shares in the amount of $133,271 and the amount allocated to warrants using a Binomial Lattice model was $126,729. The assumptions utilized in the Binomial Lattice process for the common share purchase warrants were as follows:

	August 31, 2016
Market value on valuation date	$1.31
Contractual exercise rate	$1.25
Term	3 Years
Expected market volatility	152.78%
Risk free rate using zero coupon US Treasury Security rate	0.92%

The following table summarizes the outstanding warrants as at August 31, 2016 and August 31, 2015, respectively:

Number of Warrants 2016	**Exercise Price**	**Expiry Date**	**Weighted Average Remaining Life (Years)**	**Warrant Value ($)**
5,384,165	$1.00	August 30, 2017	1.00	2,195,738
1,605,190	$0.35	March 1, 2019	2.50	603,370
236,364	$1.25	August 31, 2019	3.00	126,729
7,225,719	$0.86		1.40	**2,925,837**

Number of Warrants 2015	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
737,856	$1.00	August 30, 2017	2.00	801,079

c) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	August 31, 2016	2015
Weighted Average Shares Outstanding, basic	**20,700,962**	2,769,894
Weighted Average Shares Outstanding, diluted	**20,700,962**	3,755,514

At August 31, 2016, there are another 383,000 stock options and 8,975,719 common share purchase warrants that could be exercised, however they are anti-dilutive. The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

d) Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding common shares of the Company on a rolling basis.

The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options	**Weighted Average Exercise Price**
Balance, August 31, 2014	10,500	$16.40
Granted	100,000	1.20
Expired	(500)	(16.40)
Balance, August 31, 2015	110,000	2.50
Expired	(27,000)	(2.30)
Granted	300,000	2.19
Balance, August 31, 2016	**383,000**	**$2.28**

The following table is a summary of the Company's stock options outstanding and exercisable as at August 31, 2016 and August 31, 2015, respectively:

Options Outstanding 2016				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price
$16.00	6,000	0.50	February 17, 2017	6,000	
$16.00	2,000	0.27	December 8, 2016	2,000	
$1.20	50,000	3.20	November 11, 2019	50,000	
$1.20	25,000	0.27	December 8, 2016	25,000	
$2.19	300,000	0.27	December 8, 2016	300,000	
	383,000	**0.66**		**383,000**	**$2.28**

Options Outstanding 2015				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price
$16.00	10,000	1.50	February 17, 2017	10,000	
$1.20	100,000	4.20	November 11, 2019	100,000	
	110,000	**3.95**		**110,000**	**$2.50**

e) Stock Based Compensation

Employees

On November 12, 2014, the Company granted options to purchase 75,000 common shares to directors. These options are exercisable at $1.20 per share, vest immediately and 50,000 expire on November 11, 2019 and 25,000 expire on December 8, 2016. The Company recorded non-cash stock based compensation expense of $84,520.

On March 21, 2016, 2,000 options exercisable at $16.00 expired and 25,000 options exercisable at $1.20 expired. The Company recorded an increase to contributed surplus of $60,143.

On April 1, 2016, the Company granted options to purchase 300,000 common shares to a director. These options are exercisable at $2.19 per share, vest immediately and expire on December 8, 2016. The Company recorded non-cash stock based compensation expense of $615,924. The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following assumptions and inputs:

	April 1, 2016
Weighted average fair value per option	$2.05
Weighted average risk free interest rate	0.70%
Forfeiture rate	0%
Weighted average expected volatility	165.35%
Expected life (years)	5
Dividend yield	Nil
Stock price on the date of grant	$2.19

Non Employees

On November 12, 2014, the Company granted options to purchase 25,000 common shares to a consultant of the Company. These options are exercisable at $1.20 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of $28,173.

The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following assumptions and inputs:

	November 12, 2014
Weighted average fair value per option	$1.10
Weighted average risk free interest rate	1.54%
Forfeiture rate	0%
Weighted average expected volatility	287.49%
Expected life (years)	5
Dividend yield	Nil
Stock price on the date of grant	$1.11

14. Non-Cash Transactions

The following table summarizes the non-cash transactions for the years set out:

Non-cash transactions	**August 31, 2016 ($)**	**August 31, 2015 ($)**	**August 31, 2014 ($)**
Derivative warrants expired (Note 11)	(281,210)	(1,258,206)	(709,299)
Units issued as anti-dilution provision (Note 10)	6,896,800	-	-
Shares issued to settle debt (Note 9 and 10)	6,371,457	-	-
Units issued as debt extinguishment (Note 10)	1,220,709	-	1,180,570
Stock based compensation (Note 13 e)	615,924	112,693	-
Stock options expired (Note 13 e)	(60,143)	(11,112)	-
Debt settled in exchange of property	(277,473)		
Shares to be issued to settle debt	-	925,611	-
Disposal of decommissioning obligation	-	135,064	26,426
Warrants expired	-	(1,169,889)	-
Royalties paid under the Matthews Lease	-	-	(167,715)

15. Financial Instruments and Concentration of Risks

Financial instruments are measured at fair value on initial recognition of the instrument. The types of risk exposure to the Company's financial instruments and the ways in which such exposures are managed are as follows:

Credit Risk

Credit risk is primarily related to the Company's receivables and cash and the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. At August 31, 2016, other receivables amounts are $Nil (August 31, 2015: $8,346).

Concentration risk exists in cash because significant balances are maintained with one financial institution. The risk is mitigated because the financial institution is an international bank and all amounts are due on demand.

The Company's maximum exposure to credit risk is as follows:

	August 31, 2016 ($)	August 31, 2015 ($)
Cash	449,983	32,192
Other receivables	-	8,346
Balance	449,983	40,538

Liquidity Risk
The Company monitors its liquidity position regularly to assess whether it has the funds necessary to fulfill planned opportunities or that viable options are available to fund such opportunities from new equity issuances or alternative sources of financings. As a company without any revenue, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that such financing terms may not be acceptable to the Company.

The following table illustrates the contractual maturities of financial liabilities:

August 31, 2016	**Payments Due by Period $**				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	1,173,231	1,173,231	-	-	-
Total	1,173,231	1,173,231	-	-	-

August 31, 2015	Payments Due by Period $				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	1,630,809	1,630,809	-	-	-
Shareholders' loans	339,588	339,588	-	-	-
Loans payable	1,063,105	1,063,105	-	-	-
Total	3,033,502	3,033,502	-	-	-

Market Risk
Market risk represents the risk of loss that may impact the Company's financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, and other relevant market or price risks. The Company does not use derivative instruments to mitigate this risk.

(i) Currency Risk
The Company is exposed to the fluctuations in foreign exchange rates. The Company operates in Canada and a portion of its expenses are incurred in US dollars. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in US dollars as at the year-end set out below:

	August 31, 2016 ($)	August 31, 2015 ($)
Cash	6,157	22,166
Prepaid expenses and deposits	7,814	-
Other receivables	-	24,154
Trade and other payables	(26,322)	(873,523)
Derivative liabilities	-	(212,668)
Loans payable	-	(776,000)
Shareholders' loans	-	(249,250)
Net liabilities denominated in US$	(12,351)	(2,065,121)
Net liabilities CDN dollar equivalent at period end (1)	(16,209)	(2,730,710)

(1) Translated at the exchange rate in effect at August 31, 2016 $1.3124 (August 31, 2015 $1.3223)

The following table shows the estimated sensitivity of the Company's total loss for the periods set out from a change in the US dollar exchange rate in which the Company has exposure with all other variables held constant.

	August 31, 2016		August 31, 2015	
	Increase	Decrease	Increase	Decrease
Percentage change in US Dollar	In total loss from a change in % in the US Exchange Rate ($)		In total loss from a change in % in the US Exchange Rate ($)	
5%	(1,064)	1,064	(180,541)	180,541
10%	(2,127)	2,127	(361,082)	361,082
15%	(3,191)	3,191	(541,623)	541,623

(ii) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The majority of the Company's debt is short-term in nature with fixed rates.

(iii) Fair Value of Financial Instruments

The Company's financial instruments included on the consolidated statements of financial position are comprised of cash, other receivables, trade and other payables, shareholders' loans, loans payable, provisions and derivative liabilities. The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

• Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

• Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

		August 31, 2016		August 31, 2015	
Financial Instrument Classification	Level	Carrying Value ($)	Fair Value ($)	Carrying Value ($)	Fair Value ($)
Fair value through profit or loss:					
Cash	1	449,983	449,983	32,192	32,192
Derivative liabilities	3	-	-	281,210	281,210
Loans and receivables:					
Other receivables	3	-	-	8,346	8,346
Other financial liabilities:					
Trade and other payables	3	1,173,231	1,173,231	1,630,809	1,630,809
Shareholders' loans	3	-	-	339,588	339,588
Loans payable	3	-	-	1,063,105	1,063,105
Provisions	3	-	-	11,563	11,563

Cash is stated at fair value (Level 1 measurement). The carrying value of other receivables, trade and other payables, loans payable, secured note payable, derivative liabilities and provisions approximate their fair value due to the short-term maturity of these financial instruments (Level 3 measurement). Shareholders' loans are measured at Level 3.

Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to fund its operations, growth and ongoing development opportunities. The Company's capital requirements currently exceed its operational cash flow. As such, the Company is dependent upon future financings in order to maintain liquidity and will be required to issue equity or issue debt.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, availability of capital and the risk characteristics of any underlying assets in order to meet current and upcoming obligations.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favourable market conditions to sustain future development of the business. As at August 31, 2016 and 2015, the Company considered its capital structure to be comprised of shareholders' deficiency.

16. Discontinued Operations and Dissolution of Subsidiary

a) Discontinued Operations of Eagleford Energy, Zavala Inc.

In accordance with the terms of a Secured Note and General Security Agreement, the Company and Benchmark entered into a Settlement and Exercise of Security Agreement effective August 31, 2015 for the extinguishment of the Secured Note and Interest in the amount of $1,762,328. The Company assigned and conveyed to Benchmark all of its rights, title and interest in and to Zavala Inc. and issued 10,000,000 common shares of the Company to Benchmark (Note.

As a result the extinguishment of the Note, the Company's investment in Zavala Inc. had been derecognized from the Company's Consolidated Financial Statements as at the effective date (August 31, 2015) and presented as discontinued operations on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows. Upon the disposition of Zavala Inc., the Company realized a foreign exchange translation gain of $615,881.

Notes to the Consolidated Financial Statements
August 31, 2016 and 2015 and 2014
(Expressed In Canadian Dollars)

The following table presents the consolidated statements of operations and other comprehensive income (loss) of Zavala Inc., for the years set out:

	August 31, 2016	August 31, 2015	August 31, 2014
Expenses			
Accretion	$-	$1,498	$913
General and administrative	6,020	73,347	(305)
Bad debt expense	-	29,756	-
Impairment loss on marketable securities	-	167,815	-
Impairment loss on exploration and evaluation assets	-	4,490,045	-
Loss from discontinued operations	(6,020)	(4,762,461)	(608)
Foreign currency translation	-	(4,692)	3,800
Total loss from discontinued operations	$(6,020)	$(4,767,153)	$3,192
Loss per share from discontinued operations, basic	$(0.000)	$(1.719)	($0.000)
Loss per share from discontinued operations, diluted	$(0.000)	$(1.268)	($0.000)

The following table presents the consolidated statements of cash flows of Zavala Inc. for the periods set out:

	August 31, 2016	August 31, 2015	August 31, 2014
Cash provided by (used in)			
Operating activities			
Net loss from discontinued operations	$(6,020)	$(4,762,461)	$(608)
Accretion	-	1,498	913
Impairment loss on marketable securities	-	167,815	-
Impairment loss on exploration and evaluation assets	-	4,490,045	-
Net changes in non-cash working capital			
Accounts receivable	-	79,790	(80,448)
Accounts payable	-	(58,979)	64,169
Deferred revenue	-	(177,804)	177,804
Cash provided by (used in) operating activities, discontinued operations	(6,020)	(260,096)	161,830
Investing activities			
Additions to exploration and evaluation assets, net	-	(109,874)	(113,578)
Cash used in investing activities, discontinued operations	-	(109,874)	
Financing activities			
Loans payable	-	279,053	-
Cash provided by financing activities, discontinued operations	-	279,053	-
Net cash provided by (used in) discontinued operations	$(6,020)	$(90,917)	$48,252

The following table presents the effect of the disposal of Zavala Inc., on the Consolidated Statement of Financial Position of the Company at the effective date:

	August 31, 2015
Accounts receivable	$658
Restricted cash	33,058
Marketable securities	10,578
Exploration and evaluation assets	1,212,996
Provisions	(135,064)
Loan payable	(279,053)
Accounts payable	(6,456)
Net assets and liabilities of Zavala Inc.	$836,717

b) Discontinued operations of 1354166 Alberta Ltd.

The Company entered into a Share Purchase and Debt Settlement Agreement with 1288131 Alberta Ltd. effective February 29, 2016 and disposed of its interest in 1354166 Alberta for the settlement of debt owed to 1288131 Alberta Ltd., in the amount of $62,867.

As a result the extinguishment of the debt, the Company's investment in 1354166 Alberta had been derecognized from the Company's Consolidated Financial Statements as at the effective date (February 29, 2016) and presented as discontinued operations on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows. Upon the disposition of 1354166 Alberta the Company recognized a gain in the amount of $68,489.

The following table presents the statements of operations of 1354166 Alberta for the period set out:

	August 31,2016
Revenue	
Natural gas sales	$13,998
Expenses	
Operating costs	5,170
General and administrative	97
	(5,267)
Net income from discontinued operations	$8,731
Earnings per share from discontinued operations, basic and diluted	$0.000

The following table presents the statements of cash flows of 1354166 Alberta for the period set out:

	August 31,2016
Cash provided by (used in)	
Operating activities	
Net income from discontinued operations	$8,731
Item not involving cash	
Net changes in non-cash working capital	
Accounts receivable	4,955
Accounts payable	14
Cash provided by operating activities, discontinued operations	13,700
Net cash provided by discontinued operations	$13,700

The following table presents the effect of the disposal of 1354166 Alberta on the Consolidated Statement of Financial Position of the Company:

	February 29, 2016
Cash	$2,564
Accounts Receivable	3,391
Accounts payable	(14)
Provisions (Note 12)	(11,563)
Net assets and liabilities of 1354166 Alberta	$(5,622)

c) Dissolution of Dyami Energy LLC

The Company had solicited lenders and investors in an attempt to obtain debt/equity financings as a means to improve Dyami Energy's financial situation. Despite the Company's attempts, these efforts were unsuccessful and management determined that it could no longer fund the Murphy Lease operations, hence the lease was considered impaired and during the year ended August 31, 2014 an impairment loss of $1,675,749 was recorded by Dyami Energy. On March 6, 2014, the Company filed a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas for its wholly-owned subsidiary Dyami Energy and, effective April 3, 2014, Dyami Energy was dissolved.

The Company's investment in Dyami Energy had been derecognized from the Company's Consolidated Financial Statements as at the effective date, and presented on the Consolidated Statements of Operations and the Consolidated Statements of Cash Flow as an impairment of the net assets and liabilities on dissolution of subsidiary. Prior obligations related to Dyami Energy, with respect to the Matthews and Murphy Leases of $893,990 were recorded by the Company in trade and other payables.

17. Subsequent Events

Subsequent to the year ended August 31, 2016, the Company granted 500,000 immediately vesting stock options exercisable at $1.30 until September 8, 2021 to a director and a consultant of the Company.

Subsequent to the year end the Company granted to the new President 300,000 stock options exercisable at $1.30 vesting February 6, 2017, 350,000 stock options exercisable at $1.50 vesting September 9, 2017 and 350,000 stock options exercisable at $1.50 vesting September 9, 2018 until September 8, 2021.

Subsequent to the year ended August 31, 2016, the Company granted to an Officer of the Company 500,000 stock options exercisable at $0.64 vesting March 30, 2017 until October 31, 2021.

On December 8, 2016, the following common share purchase options expired: 300,000 options exercisable at $2.19; 25,000 options exercisable at $1.20; and 2,000 options exercisable at $16.00.

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC ("Catch Star Studios"). On October 12, 2016, the Company advanced US$65,000 to Catch Star Studios, LLC ("Catch Star") and entered into a Secured Promissory Note and General Security Agreement (the "Note") with Catch Star. The Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star Studios and the Company could not reach the definitive agreements to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. On February 1, 2017, the Company issued a letter of demand for the repayment of the Note in full.

Subsequent to the year ended August 31, 2016, the Company's Chief Financial Officer advanced the Company $49,650.

18. Income Taxes

The Company has unused capital losses in the amount of approximately $195,852 (2015: $195,852) which may be carried forward indefinitely to offset future capital gains, and unused non capital losses available to reduce income in future years expiring as follows:

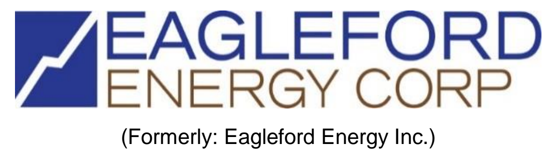
2026	55,415
2027	42,337
2028	49,166
2029	252,898
2030	250,646
2031	623,255
2032	758,383
2033	829,530
2034	659,384
2035	839,494
2036	594571
	$4,955,079

A reconciliation between income taxes provided at actual rates and at the basic rate ranging from 26.50% to 34% (2015: 26.50%% to 34%) for federal and provincial taxes is as follows:

	2016	2015 Restated	2014 Restated
Net Loss	$(13,531,587)	$(1,436,812)	$(5,406,286)
Taxes at statutory rates	(3,585,871)	(380,755)	(1,432,666)
Non-taxable items and others	3,458,054	230,893	1,224,055
Change in unrecognized deferred tax asset	127,817	149,862	208,611
	$-	$-	$-

The significant components of the Company's unrecognized deferred income tax asset are summarized as follows:

	2016	2015	2014
Operating loss carry forwards	$1,313,096	$1,187,152	1,019,911
Share issue costs	5,621	3,748	19,112
Marketable securities	-	-	778
Capital losses carry forwards	28,070	28,070	28,070
Oil and gas interests	76,713	76,713	76,713
Cumulative eligible capital	-	-	1,237
Unrecognized deferred tax asset	$1,423,500	$1,295,683	$1,145,821



(Formerly: Eagleford Energy Inc.)

Consolidated Financial Statements

For the years ended August 31, 2015, 2014 and 2013

(Expressed in Canadian Dollars)

(Formerly: Eagleford Energy Inc.)

Consolidated Financial Statements
For the years ended August 31, 2015, 2014 and 2013
(Expressed in Canadian Dollars)

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Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

INDEPENDENT AUDITOR'S REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Eagleford Energy Corp.
(Formerly Eagleford Energy Inc.)

We have audited the accompanying consolidated financial statements of Eagleford Energy Corp. (formerly: Eagleford Energy Inc.) (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2015 and 2014, the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years ended August 31, 2015, 2014 and 2013, 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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of the 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 and the standards of the Public Company Accounting Oversight Board (United States). 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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. 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.

2300 Yonge Street, Suite 1500, Box 2434
Toronto, Ontario M4P 1E4
Tel: 416 785 5353
Fax: 416 785 5663

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eagleford Energy Corp. (formerly: Eagleford Energy Inc.) as at August 31, 2015 and 2014, and its financial performance and its cash flows for the years ended August 31, 2015, 2014 and 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of $2,695,018 during the year ended August 31, 2015 and, as of that date its current liabilities exceeded its current assets by $3,233,160. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that, raises substantial doubt about the Company's ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

“Schwartz Levitsky Feldman, llp”

Toronto, Ontario, Canada
December 23, 2015

Chartered Accountants
Licensed Public Accountants

EAGLEFORD ENERGY CORP
(Formerly: Eagleford Energy Inc.)

Consolidated Statements of Financial Position (Expressed in Canadian Dollars)	**August 31, 2015**	August 31, 2014
Assets		
Current assets		
Cash	$32,192	$103,215
Trade and other receivables	51,323	157,121
Marketable securities (Note 6)	9,600	-
Total current assets	93,115	260,336
Non-current assets		
Exploration and evaluation assets (Note 7)	-	5,036,592
Total non-current assets	-	5,036,592
Total Assets	**$93,115**	$5,296,928
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Trade and other payables	$1,630,809	$1,483,775
Shareholders' loans (Note 8 and 9)	339,588	981,834
Derivative liabilities (Note 10)	281,210	1,094,392
Provisions (Note 11 a)	11,563	11,768
Loans payable (Note 9)	1,063,105	-
Deferred revenue	-	177,804
Total current liabilities	3,326,275	3,749,573
Non-current liabilities		
Provisions (Note 11(a))	-	35,775
Derivative liabilities (Note 10)	-	4,231,015
Total non-current liabilities	-	4,266,790
Total liabilities	3,326,275	8,016,363
Shareholders' equity (deficiency)		
Share capital (Note 12 a)	9,997,792	9,072,181
Share purchase warrants (Note 12 b)	801,079	1,970,968
Share purchase options (Note 12 d)	272,553	170,972
Contributed surplus (Note 12 e)	3,829,105	1,389,898
Available-for-sale reserve	(110,525)	-
Foreign currency translation reserve	-	4,692
Accumulated deficit	(18,023,164)	(15,328,146)
Total shareholders' equity (deficiency)	(3,233,160)	(2,719,435)
Total Liabilities and Shareholders' Equity (Deficiency)	**$93,115**	$5,296,928

Going Concern (Note 1)
Related Party Transactions and Balances (Note 8)
Discontinued Operations and Dissolution of Subsidiary (Note 16)
Subsequent Events (Note 17)

The accompanying notes are an integral part of these consolidated financial statements

Approved by the Board of Directors

(signed) "James Cassina"
James Cassina, Director

(signed) "Milton Klyman"
Milton Klyman, Director

EAGLEFORD ENERGY CORP
(Formerly: Eagleford Energy Inc.)

Consolidated Statements of Operations and Comprehensive Loss
For the years ended August 31,
(Expressed in Canadian Dollars)

	2015	2014	2013
Revenue			
Natural gas sales, net of royalties	$53,055	$65,024	$30,062
Expenses			
Operating costs	24,910	17,138	9,234
Depletion and accretion	-	1,536	13,283
General and administrative	89,007	403,425	582,364
Interest	280,299	284,038	76,783
(Gain) loss on derivative liabilities (Note 10)	(2,653,591)	2,735,476	128,041
Loss on foreign exchange	415,345	101,427	197,640
Marketing and public relations	(22,800)	(14,250)	25,763
Gain on disposal of subsidiary (Note 16 a)	(615,881)	-	-
Stock based compensation (Note 12 d)	84,520	-	-
Stock based compensation - non employees (Note 12 d)	28,173	-	-
Accretion of secured convertible note (Note 9)	475,755	-	-
Gain on settlement of litigation (Note 6)	(120,125)	-	-
Loss on settlement of debt (Note 12 b (c) and Note 9)	-	1,335,935	402,264
Impairment loss on exploration and evaluation assets (Note 7 and 16 a)	-	1,315,276	2,690,568
Impairment loss on property and equipment	-	-	168,954
Impairment loss on marketable securities	-	-	1
	(2,014,388)	6,180,001	4,294,895
Net income (loss) from continuing operations	2,067,443	(6,114,977)	(4,264,833)
Net loss from discontinued operations net of tax (Note 16 a)	(4,762,461)	(608)	(1,213)
Net loss	**(2,695,018)**	(6,115,585)	(4,266,046)
Other comprehensive income (loss)			
Items that may be re-classified subsequently to statements of operations			
Unrealized loss on marketable securities	(110,525)	-	-
Foreign currency translation			
Continuing operations	-	(203,765)	313,228
Discontinued operations	(4,692)	3,800	892
Total other comprehensive income (loss)	(115,217)	(199,965)	314,120
Net loss and comprehensive loss	**$(2,810,235)**	$(6,315,550)	$(3,951,926)
Earnings (loss) per share, basic			
Continuing operations	**$0.075**	$(0.482)	$(0.407)
Discontinued operations	**$(0.172)**	$(0.000)	$(0.000)
Total loss per share, basic	**$(0.097)**	$(0.482)	$(0.407)
Earnings (loss) per share, diluted			
Continuing operations	**$0.055**	$(0.482)	$(0.407)
Discontinued operations	**$(0.172)**	$(0.000)	$(0.000)
Total loss per share, diluted	**$(0.117)**	$(0.482)	$(0.407)
Weighted average shares outstanding, basic (Note 12 c)*	**27,698,938**	12,675,329	10,477,429
Weighted average shares outstanding, diluted (Note 12 c)*	**37,555,135**	12,675,329	10,477,429

* Reflects the August 25, 2014 one-for-ten stock consolidation (Note 12 a)

The accompanying notes are an integral part of these consolidated financial statements

(Formerly: Eagleford Energy Inc.)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the years ended August 31, 2015, 2014 and 2013
(Expressed in Canadian Dollars)

	SHARE CAPITAL Number of Shares*	SHARE CAPITAL Amount	SHARE PURCHASE WARRANTS	SHARE PURCHASE OPTIONS	CONTRI-BUTED SURPLUS	FOREIGN CURRENCY TRANS-LATION RESERVE	AVAILABLE FOR SALE RESERVE	ACCU-MULATED DEFICIT	TOTAL SHARE-HOLDERS' EQUITY DEFICIENCY
		$	$	$	$	$	$	$	$
Balance, August 31, 2012	9,671,281	5,906,633	1,422,526	170,972	506,200	(109,463)	-	(4,946,515)	2,950,353
Private placement of units	224,979	197,214	-	-	-	-	-	-	197,214
Issuance of shares as debt settlement	2,366,257	946,503	-	-	-	-	-	-	946,503
Foreign currency translation									
-continuing operations	-	-	-	-	-	313,228	-	-	313,228
-discontinued operations	-	-	-	-	-	892	-	-	892
Net loss									
-continuing operations	-	-	-	-	-	-	-	(4,264,833)	(4,264,833)
-discontinued operations	-	-	-	-	-	-	-	(1,213)	(1,213)
Balance, August 31, 2013	12,262,517	7,050,350	1,422,526	170,972	506,200	204,657	-	(9,212,561)	142,144
Warrants exercised	651,904	306,405	(78,238)	-	-	-	-	-	228,167
Warrants expired	-	-	(174,399)	-	174,399	-	-	-	-
Derivative warrants expired	-	-	-	-	709,299	-	-	-	709,299
Issuance of units as debt settlement	14,757,120	1,715,426	801,079	-	-	-	-	-	2,516,505
Foreign currency translation									
-continuing operations	-	-	-	-	-	(203,765)	-	-	(203,765)
-discontinued operations	-	-	-	-	-	3,800	-	-	3800
Net loss									
-continuing operations	-	-	-	-	-	-	-	(6,114,977)	(6,114,977)
-discontinued operations	-	-	-	-	-	-	-	(608)	(608)
Balance, August 31, 2014	27,671,541	9,072,181	1,970,968	170,972	1,389,898	4,692	-	(15,328,146)	(2,719,435)
Stock options expired	-	-		(11,112)	11,112	-	-	-	-
Warrants expired	-	-	(1,169,889)	-	1,169,889	-	-	-	-
Derivative warrants expired	-	-	-	-	1,258,206	-	-	-	1,258,206
Stock based compensation	-	-	-	112,693	-	-	-	-	112,693
Shares to be issued as debt extinguishment**	10,000,000	925,611	-	-	-	-	-	-	925,611
Unrealized loss on marketable securities	-	-	-	-	-	-	(110,525)	-	(110,525)
Foreign currency translation									
-discontinued operations	-	-	-	-	-	(4,692)	-	-	(4,692)
Net income (loss)									
-continuing operations	-	-	-	-	-	-	-	2,067,443	2,067,443
-discontinued operations	-	-	-	-	-	-	-	(4,762,461)	(4,762,461)
Balance, August 31, 2015	**37,671,541**	**9,997,792**	**801,079**	**272,553**	**3,829,105**	**-**	**(110,525)**	**(18,023,164)**	**(3,233,160)**

* Reflects the August 25, 2014 one-for-ten stock consolidation (Note 12 a)
**Common shares issuable upon the settlement of the secured convertible note subsequent to August 31, 2015 (Note 9)

The accompanying notes are an integral part of these consolidated financial statements

(Formerly: Eagleford Energy Inc.)

Consolidated Statements of Cash Flows
For the years ended August 31,
(Expressed in Canadian Dollars)

	2015	2014	2013
Cash provided by (used in)			
Operating activities			
Net loss	$(2,695,018)	$(6,115,585)	$(4,266,046)
Items not involving cash:			
Depletion and accretion	1,498	2,449	13,283
(Gain) loss on derivative liabilities (Note 10)	(2,653,591)	2,735,476	128,041
Impairment loss on exploration and evaluation assets (Note 7 and 16)	4,490,045	1,315,276	2,690,568
Gain on disposal of subsidiary	(615,881)	-	-
Stock based compensation (Note 12 d)	112,693	-	-
Accretion of secured note (Note 9 and Note 10)	475,755	-	-
Gain on settlement of litigation (Note 6)	(120,125)	-	-
Decommissioning obligation expenditure	(205)	(706)	-
Impairment loss on marketable securities (Note 16 a)	167,815	-	1
Loss on settlement of debt (Note 12 b(c) and Note 9)	-	1,335,935	402,264
Impairment loss on property and equipment	-	-	168,954
Net changes in non-cash working capital (Note 13)	113,327	538,244	569,428
Net cash used in operating activities	(723,687)	(188,911)	(293,507)
Investing activities			
Additions to exploration and evaluations assets, net	(109,874)	(113,578)	(404,818)
Net cash used in investing activities	(109,874)	(113,578)	(404,818)
Financing activities			
Shareholders' loans, net	502,908	62,380	126,763
Loans payable	196,998	-	-
Secured note payable, net	-	83,629	66,240
Private placement of units, net of share issue costs	-	-	405,650
Net cash provided by financing activities	699,906	146,009	598,653
Decrease in cash for the year	(133,655)	(156,480)	(99,672)
Effect of exchange rate changes on cash	62,632	62,858	(33,494)
Cash, beginning of year	103,215	196,837	330,003
Cash, end of year	**$32,192**	$103,215	$196,837

Supplemental Cash Flow Information and Non-cash Transactions (Note 13)

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of Business and Going Concern

Eagleford Energy Corp. ("Eagleford" or the "Company") was amalgamated under the Business Corporations Act (*Ontario)* on November 30, 2009. The principal activities of the Company consist of exploration, development and production of petroleum and natural gas properties. In addition, the Company holds a 0.3% net smelter return royalty on 8 mining claim blocks located in Red Lake, Ontario which is carried on the consolidated statement of financial position at nil.

The Company's registered office is 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1.

The Company's common shares trade on the Over-the-Counter Bulletin Board (OTCQB) under the symbol EGFDF.

The consolidated financial statements include the accounts of Eagleford, the legal parent, together with its wholly-owned subsidiary, 1354166 Alberta Ltd. ("1354166 Alberta") a company operating in the province of Alberta, Eagleford Energy, Zavala Inc., ("Zavala Inc.") a Nevada company and its wholly owned subsidiary EEZ Operating Inc. a Texas company ("EEZ Operating") a Texas company incorporated May 12, 2015, until the date of disposition of Zavala Inc., on August 31, 2015 and Dyami Energy LLC ("Dyami") which was dissolved effective April 3, 2014. These consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of exploring and developing its oil and gas properties and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of exploration and development of its oil and gas properties.

Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, or other means of funding its operations, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

The Company has accumulated significant losses and negative cash flows from operations in recent years which raise doubt as to the validity of the going concern assumption. The Company has a working capital deficiency of $3,233,160 (2014: $3,489,237) and an accumulated deficit of $18,023,164 (2013: $15,328,146). These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, the consolidated financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying consolidated financial statements.

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 interpretations issued by the International Financial Reporting Committee ("IFRAC"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 23, 2015, the date the Board of Directors approved the consolidated financial statements.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

2. Basis of Preparation (continued)

Functional and Presentation Currency
The functional and presentation currency of the Company is the Canadian dollar. The functional currency of the Company's wholly-owned Alberta subsidiary, 1354166 Alberta, a company operating in the province of Alberta, Canada, is Canadian dollars. The functional currency of the Company's former wholly-owned Nevada subsidiary, Zavala Inc., and its' wholly-owned subsidiary EEZ Operating a Texas company, incorporated May 12, 2015 was United States dollars. The Company's former wholly-owned Texas subsidiary, Dyami functional currency was United States dollars.

Use of Estimates and Judgements
The timely preparation of the consolidated financial statements in accordance with IFRS requires that management make estimates and assumptions and use judgment regarding the measured amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Such estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Valuation and Classification of Exploration and Evaluation Assets
The value of exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves which in turn is dependent on future oil and natural gas prices, future capital expenditures and environmental and regulatory restrictions. The decision to transfer exploration and evaluation assets to property and equipment is based upon management's determination of an area's technical feasibility and commercial viability based on proved and/or probable reserve estimates.

Title to Oil and Gas Property Interests
Although the Company has taken steps to verify title to oil and gas 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.

Stock Based Compensation
The Company measures the cost of equity-settled transactions to the relative fair value of the equity instruments at the date at which they are issued. Estimating relative fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the instrument. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, discount rates and dividend yield.

Decommissioning Liabilities
Decommissioning liabilities consist of asset retirement obligations that are based, in part, on estimates of future costs to settle the obligation, in addition to estimates of the useful life of the underlying assets, the rate of inflation and the risk-free discount rate.

Fair Value of Financial Instruments
The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

2. Basis of Preparation (continued)

Assessment of Commercial Reserves

Management is required to assess the level of the Company's commercial reserves together with the future expenditures to access those reserves, which are utilized in determining the depletion charge for the period, assessing whether any impairment charge is required against developed or undeveloped properties, and the determination of the deferred tax liability. By their nature, these estimates of discovered proved and probable crude oil and natural gas reserves, including the estimates of future prices, costs, related future cash flows and the selection of a pre-tax risked discount rate relevant to the asset in question are subject to measurement uncertainty.

The Company employs an independent reserves evaluator who periodically assesses the Company's level of commercial reserves by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Company's assets. Significant judgment is involved when determining whether there have been any significant changes in the Company's reserves.

Income taxes

Income taxes liability is estimated for the Company, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgment is required in the calculation of current and deferred taxes, as well as the likelihood of realization.

Provisions

Considerable judgment is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgment is necessary to determine the likelihood that a pending litigation or other claim will succeed, or a liability will arise and to quantify the possible range of the final settlement.

Significant changes in the assumptions, including those with respect to future business plan and cash flows, could materially change the recorded carrying amounts.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

The consolidated financial statements include the accounts of Eagleford, the legal parent, together with its wholly-owned subsidiary, 1354166 Alberta a company operating in the province of Alberta, Zavala Inc. a Nevada company and its wholly owned subsidiary EEZ Operating a Texas company incorporated May 12, 2015, until the date of disposition of Zavala Inc., on August 31, 2015 and Dyami which was dissolved effective April 3, 2014.

Revenue Recognition

Revenue is recognized when there is persuasive evidence that an arrangement exits which is when a contract or sales order is signed by both parties, delivery has occurred, ownership has been transferred to the customer, price is fixed or determinable and ultimate collection is reasonably assured at the time of delivery.

3. Summary of Significant Accounting Policies (continued)

Revenues from the production of oil and gas properties from 1354166 Alberta are recognized, on the basis of the Company's working interest in those properties, when the significant risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes to an external party.

Foreign Currency

Items included in the consolidated financial statements of each of the Company's wholly owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in other comprehensive income.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the foreign currency translation reserve under other comprehensive income.

Loss per Share

The basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation.

Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period. Effective August 31, 2015, the Company assigned all of its right, title and interest in Zavala Inc., as partial settlement of a secured convertible note payable and accordingly its operations have been treated as discontinued operations in the Company's consolidated financial statements.

Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. The Company's other comprehensive income (loss) is comprised of foreign currency translation reserve and available for-sale-assets.

Foreign currency translation is related to translation differences between the Company's US dollar functional currency subsidiaries converted into Canadian dollars at the period end exchange rates, and their results of operations converted at average rates of exchange for the period.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments

Classification and Measurement

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through profit and loss”, “loans and receivables”, “available-for-sale”, “held-to-maturity”, or “other financial liability” as defined by IAS 39, “Financial Instruments: Recognition and Measurement”.

Financial assets and financial liabilities at “fair value through profit or loss” are either classified as “held for trading” or “designated at fair value through profit or loss” and are measured at fair value with changes in fair value recognized in the statement of comprehensive income. Transaction costs are expensed when incurred. The Company has classified cash and derivative liabilities as “fair value through profit and loss”.

Financial instruments classified as “loans and receivables”, “held-to-maturity”, or “financial liabilities” are measured at amortized cost using the effective interest method of amortization. “Loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. “Held-to-maturity” financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity.

“Other financial liabilities measured at amortized cost” are those financial liabilities that are not designated as “fair value through profit or loss” and that are not derivatives. The Company has classified trade and other receivables as “loans and receivables” and trade and other payables, secured note payable, provisions and shareholders’ loans as “other financial liabilities”.

Financial assets classified as “available-for-sale” are measured at fair value, with changes in fair value recognized in other comprehensive income. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company has classified its marketable securities as “available for sale”.

Marketable Securities

At each financial reporting period, the Company estimates the fair value of investments which are available-for-sale, based on quoted closing bid prices at the consolidated statements of financial position date or the closing bid price on the last day the security traded if there were no trades at the consolidated statements of financial position date and such valuations are reflected in the consolidated financial statements. Adjustments to the fair value of the marketable securities at the financial position date are recorded to comprehensive income. The resulting values for unlisted securities whether of public or private issuers, may not be reflective of the proceeds that could be realized by the Company upon their disposition.

Derivative Financial Instruments

The Company’s derivative instruments consist of derivative liabilities in relation to its i) share purchase warrants; and ii) its secured convertible note payable.

In prior years the Company had issued share purchase warrants in conjunction with offerings for the purchase of common shares of the Company. These share purchase warrants were issued with an exercise price in US dollars, rather than Canadian dollars (the presentation and functional currency of the Company). Such share purchase warrants are considered to be derivative instruments and the Company is required to re-measure the fair value of these at each reporting date. The fair value of these share purchase warrants are re-measured at each statement of financial position date using the Black-Scholes option pricing model. Adjustments to the fair value of the share purchase warrants at the financial position date are recorded to the statement of operations.

3. Summary of Significant Accounting Policies (continued)

The Company had a secured convertible note payable that had a conversion feature which may convert any unpaid principal and accrued interest into conversion units. A conversion unit was comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The price of the conversion unit was the lesser of a price equal to the 30-day rolling weighted average price of the Company as of the date of conversion, less 20% (as adjusted for any stock splits, combinations or similar events) or eight United States Cents (US$0.08) per share the ("Conversion Unit"). The terms and features of the conversion met the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contain a variable exercise/conversion price, the Conversion Unit met the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". As a result, the Conversion Unit was a derivative liability that required fair value measurement each period. The Company had selected the Binomial Lattice model to fair value the warrant component of the conversion unit and the Monte Carlo Simulations process for the common share component of the conversion unit.

Exploration and Evaluation Assets ("E&E")
Pre-acquisition expenditures on oil and gas assets are recognized as an expense in the consolidated statements of operations when incurred. In accordance with IFRS 6, exploration and evaluation costs are capitalized within intangible assets until the success or otherwise of the well or project has been established and subject to an impairment review. The costs of unsuccessful wells in an area are written off to the statement of operations.

Exploration and evaluation costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized either as tangible or intangible E&E assets according to the nature of the assets acquired. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

When E&E assets are determined to be technically feasible and commercially viable, the accumulated costs are transferred to property and equipment. When E&E assets are determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to the statement of operations as exploration and evaluation expense.

E&E assets are assessed for impairment in any circumstances where sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to cash-generating units ("CGUs").

Development and Production Costs
Items of property and equipment, which include petroleum and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing.

When significant parts of an item of property and equipment, including petroleum and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property and equipment, including petroleum and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

3. Summary of Significant Accounting Policies (continued)

Subsequent Costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as exploration and evaluation assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized exploration and evaluation assets generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Joint Oil and Gas Activities

All of the Company's oil and gas activities are conducted jointly with others. The Company's accounts reflect only the Company's share of assets, liabilities, revenue and expenses in the joint operations. For interests in joint operations, the Company’s share of the jointly controlled assets are classified according to the nature of the assets, the Company’s share of any liabilities incurred jointly with the other parties, and the Company’s share of any income and expenses incurred jointly with the partners are recognized in the consolidated financial statements.

Depletion and Depreciation

The net carrying value of development or production assets is depleted using the units-of-production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually for developed properties.

Proved and probable reserves are estimated using independent reserve engineer reports for developed properties only and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economic benefit of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved and probable if they are supported by either actual production or conclusive formation tests. The area of reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both; and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Impairment

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.

3. Summary of Significant Accounting Policies (continued)

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. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the profit or loss.

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 the reversal is recognized in profit or loss.

Non-financial Assets
The carrying amounts of the Company's non-financial assets, other than E&E assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to property and equipment as petroleum and natural gas interests, and also if facts and circumstances suggest that their carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

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. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

E&E assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (petroleum and natural gas interests in property and equipment).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets other than goodwill, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

3. Summary of Significant Accounting Policies (continued)

Decommissioning Obligations
The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the period-end date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows and changes to discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Borrowing Costs
Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest method. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Taxes
Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of operations except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income Tax
Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax
Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and asset and they relate to the income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Share-Based Compensation
The Company has a share-based compensation plan that grants stock options to employees and non-employees. This plan is an equity settled plan. The Company uses the fair value method for accounting for share-based awards to employees and non-employees.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis 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 contributed surplus.

3. Summary of Significant Accounting Policies (continued)

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 Company obtains the goods or the counterparty renders the service.

Warrants
When the Company issues units comprising common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of warrants issued is estimated using the Black-Scholes option price model. The fair value is then related to the total of the net proceeds received on issuance of the common shares and the fair value of the warrants issued therewith. The resultant relative fair value is allocated to warrants from the net proceeds and the balance of the net proceeds is allocated to the common shares issued.

4. Recent Accounting Pronouncements and Recent Adopted Accounting Standards

Recent Issued Accounting Pronouncements
The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

(i) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective September 1, 2018.The Company does not expect the amendment to have a material impact on the consolidated financial statements.

(ii) On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). In November 2009, the IASB issued the first version of IFRS 9, Financial Instruments (IFRS 9 (2009) and subsequently issued various amendments in October 2010, IFRS 9 Financial Instruments (2010) and November 2013 IFRS 9 Financial Instruments (2013). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the consolidated financial statements.

Recent Adopted Accounting Standards
The following standards, amendments and interpretations have been adopted by the Company as of September 1, 2014. There were no material impacts on the consolidated financial statements as a result of the adoption of these standards, amendments and interpretations: (i) IFRIC 21 Levies.

5. Segmented Information

The Company's reportable and geographical segments are Canada and the United States. The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Effective August 31, 2015, the Company discontinued its reportable segment in the United States. The following tables show information regarding the Company's reportable segments.

5. Segmented Information (continued)

For the year ended August 31, 2015	**Canada**	**United States**	**Total**
Net revenue, continuing operations	$53,055	-	$53,055
Net income, continuing operations	$2,067,443		$2,067,443
Net loss, discontinued operations	-	$(4,762,461)	$(4,762,461)
Net income (loss)	$2,067,443	$(4,762,461)	$(2,695,018)

For the year ended August 31, 2014	Canada	United States	Total
Net revenue, continuing operations	$65,024	-	$65,024
Net loss, continuing operations	$(6,114,977)	-	$(6,114,977)
Net loss, discontinued operations	-	$(608)	$(608)
Net loss	$(6,114,977)	$(608)	$(6,115,585)

For the year ended August 31, 2013	Canada	United States	Total
Net revenue, continuing operations	$30,062	-	$30,062
Net loss, continuing operations	$(4,264,833)	-	$(4,264,833)
Net loss, discontinued operations	-	$(1,213)	$(1,213)
Net loss	$(4,264,833)	$(1,213)	$(4,266,046)

As at August 31, 2015	**Canada**	**United States**	**Total**
Total Assets	$93,115	-	$93,115
Total Liabilities	$(3,326,275)	-	$(3,326,275)

As at August 31, 2014	Canada	United States	Total
Total Assets	$179,888	$5,117,040	$5,296,928
Total Liabilities	$6,991,287	$1,025,076	$8,016,363

6. Marketable Securities

As at August 31, 2015, the Company held 1,200,000 common shares in a quoted company security that had been acquired as a settlement of litigation. As at August 31, 2015, the Company recorded a change in the fair value of the securities in the statement of comprehensive income (loss) in the amount of $110,525 as follows:

Market value on acquisition	$120,125
Change in fair value	(110,525)
Market value, August 31, 2015	$ 9,600

7. Exploration and Evaluation Assets

Cost	
Balance August 31, 2013	$6,535,278
Additions, net	113,578
Change in decommissioning obligation estimates	7,225
Disposal of decommissioning obligations, Matthews Lease JDA	(26,426)
Impairment of Murphy Lease	(1,675,749)
Foreign exchange	82,686
Balance August 31, 2014	$5,036,592
Additions, net	109,874
Change in decommissioning obligation estimates	(11,253)
Impairment of Matthews Lease (Note 16 a)	(4,490,045)
Deconsolidation of Zavala Inc. (Note 16 a)	(1,212,996)
Foreign exchange	567,828
Balance August 31, 2015	**$-**

7. Exploration and Evaluation Assets (continued)

The Company's exploration and evaluation assets were located in Texas, USA. During the year ended August 31, 2015, the Company recorded an impairment of $4,490,045 on its Matthews Lease as a result of the estimated reduction of leasehold acreage of the Matthews Lease and fair value upon the settlement of a secured convertible note. Effective August 31, 2015, the Company deconsolidated Zavala Inc. upon the assignment of Zavala Inc.'s common shares as partial satisfaction of the secured note extinguishment (Note 9 and Note16 a). During the year ended August 31, 2014, an impairment of $1,675,749 was recorded on the Murphy Lease (Note 16 b).

Matthews Lease, Zavala County, Texas
During the year ended August 31, 2013, the Company, Dyami Energy and OGR Energy Corporation, the Lessees, were litigating a dispute with the Lessors of the Matthew's property. During the last quarter of fiscal year August 2013, the Company and the Lessors agreed to resolve the litigation and continue with the development of the Matthew's property. In order to comply with certain State legal requirements, it was deemed necessary by the Lessors counsel to continue with the development through a newly executed lease document and the Company formed, Zavala Inc. a new wholly owned subsidiary to execute the new lease. The new lease was signed effective September 1, 2013 and the first of two payments of US$150,000 were paid to the Lessors upon signing the new lease as required initial pre-payment of anticipated production royalties along with a continuing development obligation under the lease to complete the previously drilled Matthews #1H horizontal well or drill a new well on the Matthews property no later than March 30, 2014. On September 1, 2013, the Matthews lease was renewed by the Company through Zavala Inc. and based on the concept of faithful representation under IAS 8, the carrying value of the Matthew's lease by Dyami Energy was considered to be the value for Zavala Inc. as this arrangement is simply a reorganization in substance.

On December 3, 2013, (amended January 21, 2014) the Company entered into a Joint Development Agreement with Stratex Oil and Gas Holdings, Inc. ("Stratex") (the "Stratex JDA") to further develop the Matthews Lease. Under the terms of the Stratex JDA, Stratex acted as operator and upon Stratex delivering i) US$150,000 to the lessors of the Matthews Lease on behalf of Zavala Inc., ii) delivering US $150,000 to the Company; and iii) commencing a hydraulic fracture of the Matthews #1H not later than March 31, 2014, Stratex earned a 66.67% working interest before payout (50% working interest after payout) in the Matthews #1H well and a 50% working interest in the 2,629 acre Matthews Lease (Note 17).

On April 11, 2014, the Company entered into a further Joint Development Agreement ("JDA2") with Stratex and Quadrant Resources LLC, ("Quadrant") for the development of the San Miguel formation on the Matthews Lease. Pursuant to the terms of the JDA2, upon satisfaction of certain conditions including the Phase 1 Work Program and the cash consideration described below, Quadrant could earn an undivided 66.67% before payout and a 50% working interest after payout to the base of the San Miguel formation of the Matthews Lease by i) drilling 3 new wells and reworking 5 wells at its sole cost and expense by June 30, 2015 (the "Phase I Work Program"); ii) deliver US$100,000 to the Company upon execution of the JDA2 (paid); and iii) deliver US$65,000 to the Company on each of July 8, 2014, October 6, 2014, January 5, 2015 and April 6, 2015. The Company recorded the cash payments and the payment of certain obligations under the Matthews Lease by Quadrant totaling $378,577 (US$303,712) as a reduction in exploration and evaluation assets. Under the terms of the JDA2 Quadrant was required to complete the Phase I Work Program and pay the Company cash consideration totaling US$360,000 by June 30, 2015, which it did not and accordingly the JDA2 expired without Quadrant earning any interest in the development area.

Effective March 31, 2015, the Company entered into a settlement with Stratex and Quadrant pursuant to which Stratex assigned all of its rights, title and interest in, to and under the Matthews Lease and the JDA, to the Company and Quadrant, and issued to the Company 1,333,333 common shares of Stratex as repayment of the disputed minimum royalty of US$152,293 and a further payment of US$25,000 was to be paid to the Company. EEZ Operating thereafter became the operator of the Matthews Lease (Note 17).

7. Exploration and Evaluation Assets (continued)

On July 2, 2015, the 2629 acre Matthews Lease transitioned into its production unit phase. A total of 340 acres were held as production units. Accordingly, the Company wrote down the lease to fair value of $1,212,996 and recorded an impairment of exploration and evaluation assets at August 31, 2015 of $4,490,045.

Murphy Lease, Zavala County, Texas
Subsequent to September 1, 2013 and the continuing development of the Matthews lease, Dyami Energy continued its development efforts with the Murphy lease. A tentative joint venture agreement with Stratex was reached but did not materialize and efforts to develop the Murphy lease were not successful. The Company had solicited lenders and investors in an attempt to obtain debt/equity financings as means to improve Dyami Energy's financial situation. Despite the Company's attempts, these efforts were unsuccessful and management determined that it could no longer fund the Murphy operations, hence the lease was considered impaired and an impairment loss was recorded by Dyami Energy during the third quarter of fiscal 2014 (Note 16 b).

On March 6, 2014, the Company filed a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas for its wholly-owned subsidiary Dyami Energy and effective April 3, 2014, Dyami Energy was dissolved. All prior obligations with respect to the Matthew's and Murphy lease on the books of Dyami Energy prior to its dissolution were recorded by the Company.

8. Related Party Transactions and Balances

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the exchange amount being the amount agreed to by the related parties, which approximates the arm's length equivalent value.

Compensation of Key Management Personnel
The remuneration of directors and other members of key management personnel during the years ended were as follows:

	August 31, 2015	August 31, 2014	August 31, 2013
Short term employee benefits (1)	$150,000	$75,000	$75,000
Directors stock based compensation (2)	84,520	-	-
	$234,520	$75,000	$75,000

The following balances owing to the President of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	August 31, 2015	August 31, 2014
Short term employee benefits (1)	$125,000	$281,250
	$125,000	$281,250

(1) During the year ended August 31, 2015 the Company accrued management fees for the President of the Company at a rate of $12,500 per month. On August 31, 2015, the President forgave $306,250 of management fees.
(2) On November 12, 2014, the Company granted options to purchase 750,000 common shares to three directors of the Company. These options are exercisable at $0.12 per share, vest immediately and expire on November 11, 2019 (Note 12 d).

As at August 31, 2015 the amount of directors' fees included in trade and other payables was $21,600 (August 31, 2014: $19,200).

8. Related Party Transactions and Balances (continued)

As at August 31, 2015, the Company had a promissory note payable to the President of the Company of $10,000 (August 31, 2014: $Nil). For the year ended August 31, 2015, the Company recorded interest on a promissory note to the President of $838 (August 31, 2014: $24,162). As at August 31, 2015, included in trade and other payables is outstanding interest of $111,009 (August 31, 2014: $91,727). The note is due on demand and bears interest at 10% per annum. Interest is payable annually on the anniversary date of the note. Effective February 27, 2014, 651,904 common share purchase warrants expiring February 27, 2014, were exercised by the President of the Company at $0.35, for settlement of cash advances of $228,167 (Note 12 b (a)). On August 30, 2014, the Company issued 1,628,700 units at $0.08 per unit as full settlement of a promissory note payable to the President of US$120,000 (Note 12 b (c) and Note 10).

As at August 31, 2015, the Company had a note payable to Core Energy Enterprises Inc. ("Core") of $339,588 (US$249,250) (August 31, 2014: US$249,250). For the year ended August 31, 2015, the Company recorded interest on the promissory note of $32,958 (August 31, 2014: $Nil). As at August 31, 2015, included in trade and other payables, is interest of $33,049 (August 31, 2014: $Nil). The note is due on demand and bears interest at 10% per annum. Interest is payable annually on the anniversary date of the note. During the year ended August 31, 2015, Zavala Inc. issued a note to Core in the amount $279,053 and recorded interest on the note of $4,353 (Note 9 and Note 16 a). The President of the Company is a major shareholder, officer and a director of Core.

As at August 31, 2015, the Company had, loans payable of $196,998 to 1288131 Alberta Ltd. (August 31, 2014: $Nil). For the year ended August 31, 2015, the Company recorded interest on the loans payable of $15,619. As at August 31, 2015, included in trade and other payables, is interest of $15,619 (August 31, 2014: $Nil). The loans are payable on demand and bear interest at 10% per annum. Colin McNeil a director of the Company, is also an officer, director and shareholder of 1288131 Alberta Ltd., (Note 17).

As at August 31, 2015, the Company had shareholders' loans payable of $866,107 (US$655,000). (August 31, 2014: US$655,000). For the year ended August 31, 2015, the Company recorded interest of $86,611 (August 31, 2014: $180,349) on the shareholders' loans. As at August 31, 2015, the Company received notice that the shareholders loans were assigned and the Company has reclassified the amount to loans payable. As at August 31, 2015, included in trade and other payables, is interest of $86,848 (August 31, 2014: $269). The loans are payable on demand and bear interest at 10% per annum. Interest is payable annually on the anniversary date of the loans. On August 30, 2014, the Company issued 13,128,420 units at $0.08 per unit as full settlement of shareholder loans payable of US$529,250, $250,000 and interest payable of $225,614 (Note 12 b (c), Note 9 and Note17).

9. Secured Note Payable and Shareholders' Loans

Secured Note Payable

As at August 31, 2014, the Company exchanged a secured note payable to Benchmark with a carrying value of $1,322,347 (US$1,216,175) for a secured convertible promissory note payable to Benchmark with a face value of $1,322,347 (US$1,216,175) (the "Note"). The Note had an interest rate of 10%. The Note was due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Company of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default. The Note was secured by all of the assets of the Company and Zavala Inc. Benchmark had the option at any time while the Note was outstanding to convert any unpaid principal and accrued interest into conversion units

9. Secured Note Payable and Shareholders' Loans (continued)

The Company had accounted for this transaction as an exchange of debt instruments. Under IAS 39 "Financial Instruments: Recognition and Measurement", an exchange between an existing borrower and lender of debt instruments with substantially different terms or substantial modification of the terms of an existing financial liability of part thereof is accounted for as an extinguishment. Since the new debt instrument had a conversion option, the terms were considered substantially different and therefore gave rise to extinguishment accounting. Further, the Company analyzed the conversion unit under IAS 39 and determined that it meets the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contain a variable exercise/conversion price, the Conversion Unit meets the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". As a result, the Conversion Unit is a derivative liability that requires fair value measurement each period.

As at August 31, 2014, the Company allocated the old note first to the derivative component at its fair value with the residual allocated to the host debt contract, as follows:

	Allocation CDN$
Secured promissory note (old debt instrument)	$ 1,322,347
Derivative liability (Conversion Unit)	(4,000,100)
Loss on exchange of debt instruments	2,677,753
	$ -

The Note was being accreted up to its face value of $1,322,347 (US$1,216,175) over the life of Note based on an effective interest rate. For the year ended August 31, 2015, the Company recorded interest on the Note of $154,179 (August 31, 2014: $104,237).

In accordance with the terms of the Note and the General Security Agreement (the "Loan Agreements") the Company had granted and conveyed to Benchmark a first priority security interest in the Company and Zavala Inc., prior and superior to the rights of all third parties existing on or arising after the date of such Loan Agreements, subject to the Permitted Liens.

At August 31, 2015, the Company was unable to pay the Note CDN$1,608,149 plus interest of CDN$154,179, totaling CDN$1,762,328, which constituted an event of default pursuant to the terms of the Loan Agreements. Benchmark, having made demand for payment of all amounts owed to it under the Note, gave notice to the Company that it intended to exercise its security on the Company's assets.

In an effort to avoid further costs, the Company and Benchmark entered into a Settlement and Exercise of Security Agreement effective August 31, 2015, with the following terms:

1. Effective August 31, 2015, the Company assigns and conveys to Benchmark all of its rights, title and interest in and to Zavala Inc., including but not limited to all of the issued and outstanding common shares of Zavala Inc.; and
2. Issuance of 10,000,000 shares of common stock of the Company.

As a result the Company's extinguishment of the Note, the Company's investment in Zavala Inc. has been deconsolidated from the Company's Consolidated Financial Statements as at August 31, 2015 (Note 16 a).

9. Secured Note Payable and Shareholders' Loans (continued)

The following table presents the effect of the extinguishment of the Note on the consolidated financial statements of the Company:

	August 31, 2015
Secured note payable	$1,608,149
Interest payable	154,179
Net assets and liabilities of Zavala Inc. (Note 16 a)	(836,717)
Common shares (Note 12 a)	(925,611)
	$-

Shareholder Loans

Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. Each unit is comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$0.10 until August 30, 2017. The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as loss on settlement of debt. The original terms of the debt did not include settlement by the issuance of equity instruments.

Accounting Considerations

The Company has accounted for this transaction as an extinguishment of debt instruments for equity instruments under the guidance of IFRIC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments". IFRIC 19 addresses the accounting of when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It states that if a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are 'consideration paid' in accordance with IAS 39.41. Accordingly, the debtor should derecognise the financial liability fully or partly. IFRIC 19 further states that the debtor recognises in profit or loss the difference between the carrying amount of the financial liability (or part) extinguished and the fair value of the equity instruments issued. As result, the Company recorded a loss on extinguishment in the amount of $1,335,935 in profit and loss which is the difference of the fair value of the equity instruments ($2,516,505) and the carrying value of the debt instruments ($1,180,570).

The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock. The fair value of the conversion unit ($2,516,505) was allocated to the common stock component ($1,715,426) and warrant component ($801,079) based on their relative fair values. Significant assumptions utilized in the Binomial Lattice process are as follows for the warrant component of the conversion unit as of August 30, 2014:

	August 30, 2014
Market value on valuation date	$0.16
Contractual exercise rate	$0.092
Term (years)	5.00 Years
Expected market volatility	196.97%
Risk free rate using zero coupon US Treasury Security rate	0.94%

10. Derivative Liabilities

At August 31, 2015, the Company recorded a net gain on derivative liabilities of $2,653,591 comprised of a loss on derivative warrant liabilities of $214,109 and a gain derivative unit liabilities of $2,867,700 (August 31, 2014: loss of $2,735,476 comprised of a loss on derivative warrant liabilities of $57,725 and a loss on derivative unit liabilities of $2,677,751).

Derivative Warrant Liabilities

The Company has warrants issued with an exercise price in US dollars which are different from the functional currency of the Company (Canadian Dollars) and accordingly the warrants are treated as a financial liability and the fair value movement during the period is recognized in the profit or loss.

The following table set out the changes in derivative warrant liabilities during the respective periods.

	Number of Warrants*	Fair Value Assigned $	Average Exercise Price US $
As at August 31, 2013	914,761	1,976,883	4.72
Warrants expired	(170,923)	(709,299)	(0.93)
Change in fair value estimates	-	57,723	-
As at August 31, 2014	743,838	1,325,307	3.74
Warrants expired	(613,350)	(1,258,206)	(4.66)
Change in fair value estimates	-	214,109	
As at August 31, 2015	**130,488**	**281,210**	**4.66**

* Reflects the August 25, 2014 one-for-ten consolidation

On August 31, 2014 170,923 warrants exercisable at US$5.00 expired and the fair value measured using the Black-Scholes option pricing model of $709,299 was recorded as an increase to contributed surplus.

On April 13, 2015, 187,500 and 30,000 warrants exercisable at US$5.00 and US$2.50, respectively expired and the fair value measured using the Black-Scholes option pricing model of $535,542 was recorded as an increase to contributed surplus.

On July 20, 2015, 91,250 and 14,600 warrants exercisable at US$5.00 and US$2.50, respectively expired and the fair value measured using the Black-Scholes option pricing model of $194,409 was recorded as an increase to contributed surplus.

On August 7, 2015, 250,000 and 40,000 warrants exercisable at US$5.00 and US$2.50, respectively expired and the fair value measured using the Black-Scholes option pricing model of $528,255 was recorded as an increase to contributed surplus.

The following tables set out the number of derivative warrant liabilities outstanding as at August 31, 2015 and 2014, respectively:

Number of Warrants*	Exercise Price US ($)*	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
112,490	5.00	September 25, 2015(1)	0.07	220,640
17,998	2.50	September 25, 2015(1)	0.07	60,570
130,488			**0.07**	**281,210**

* Reflects the August 25, 2014 one-for-ten consolidation
(1) Current

10. Derivative Liabilities (continued)

Number of Warrants*	Exercise Price US ($)*	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
187,500	5.00	April 13, 2015 (1)	0.62	365,474
30,000	2.50	April 13, 2015(1)	0.62	99,420
91,250	5.00	July 20, 2015(1)	0.88	133,431
14,600	2.50	July 20, 2015(1)	0.88	35,915
250,000	5.00	August 7, 2015(1)	0.93	365,964
40,000	2.50	August 7, 2015(1)	0.93	94,188
112,490	5.00	September 25, 2015	1.07	181,178
17,998	2.50	September 25, 2015	1.07	49,737
743,838			0.70	1,325,307

(1) Current
* Reflects the August 25, 2014 one-for-ten consolidation

Derivative Unit Liabilities
The following tables summarize the components of the Company's derivative liabilities reflected in US Dollars and linked common shares as at August 31, 2015 and 2014:

	August 31, 2015		August 31, 2014	
The financings giving rise to derivative financial instruments	Indexed Shares	Fair Values $CDN	Indexed Shares	Fair Values $CDN
Conversion unit (1 common share and 1 common share purchase warrant)	-	-	15,202,188	(4,000,100)

Effective August 31, 2015, the Company entered into a Settlement and Exercise of Security Agreement and extinguished the Note and its underlying derivative financial instruments. At August 31, 2014 the Company issued a face value $1,322,347 (US$1,216,175) Secured Convertible Promissory Note which gave rise to a derivative financial instrument (the "Note"). The Note had embodied certain terms and conditions that were not clearly and closely related to the host debt agreement in terms of economic risks and characteristics and met the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". These terms and conditions consisted of a conversion unit which was comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit (Note 9).

Accounting principles provided in IAS 32 and IAS 39 required derivative financial instruments to be classified in liabilities and carried at fair value with changes recorded in profit and loss. The Company had selected the Monte Carlo Simulations valuation technique to fair value the common share component of the conversion unit because it believed that this technique was reflective of significant assumption types, and ranges of assumption inputs, that market participants would likely consider in transactions involving common share components. Such assumptions included, among other inputs, interest risk assumptions, credit risk assumptions and redemption behaviors in addition to traditional inputs for option models such as market trading volatility and risk free rates.

The Company had selected the Binomial Lattice model to fair value the warrant component of the conversion unit because it believed this technique is reflective of significant assumption types market participants would likely consider in transactions involving warrants.

10. Derivative Liabilities (continued)

Significant inputs and results arising from the Monte Carlo Simulations process were as follows for the common share component contained in the conversion unit:

	August 31, 2014
Underlying price on valuation date*	$0.3090
Contractual conversion rate	$0.08
Contractual term to maturity	1.00 Years
Implied expected term to maturity	0.613 Years
Market volatility:	
Range of volatilities	78.41% - 269.09%
Equivalent volatility	181.25%
Contractual interest rate	10.0%
Equivalent market risk adjusted interest rate	10.00%
Equivalent credit risk adjusted yield	3.45%

*The underlying price of the common share component of the conversion unit was the sum of the market price on the valuation date and the fair value of the warrant component derived from the binomial lattice model.

Significant assumptions utilized in the Binomial Lattice process are as follows for the warrant component of the conversion unit was as follows:

	August 31, 2014
Market value on valuation date	$0.16
Contractual exercise rate	$0.092
Term (years)	5.00 Years
Expected market volatility	179.21%
Risk free rate using zero coupon US Treasury Security rate	1.63%

11. Provisions

	Decommissioning Obligations (Note a)	**Other Provisions (Note b)**	**Total Provisions**
Balance, August 31, 2013	$119,742	$178,553	$298,295
Accretion expense	961	-	961
Change in estimates	7,225	-	7,225
Disposals	(26,426)	-	(26,426)
Reductions	-	(169,196)	(169,196)
Dissolution of subsidiary (Note 16 b)	(58,589)		(58,589)
Foreign exchange	4,630	(9,357)	(4,727)
Balance, August 31, 2014	$47,543	$ -	$47,543
Accretion expense	1,498	-	1,498
Change in estimates	(11,253)	-	(11,253)
Additions	98,357	-	98,357
Obligations settled	(205)	-	(205)
Deconsolidation of Zavala Inc.(Note 16 a)	(102,143)	-	(102,143)
Foreign exchange	(22,234)	-	(22,234)
Balance, August 31, 2015	**$11,563**	**$-**	**$11,563**

11. Provisions (continued)

a) Decommissioning Obligations

The Company's decommissioning obligations result from its ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of decommissioning obligations to be $11,563 as at August 31, 2015 (August 31, 2014: $47,543 ($11,768 current and $35,775 long term)) based on an undiscounted total future liability of $11,563 (August 31, 2014: $60,629). These payments are expected to be incurred during 2016.

b) Other Provisions

On January 28, 2014, a vendor of Dyami Energy received a summary judgment against Dyami Energy in the amount of $169,196 plus interest at a rate of 18% per annum from September 17, 2012 until paid, and legal fees of $21,178 and interest at a rate of 5% per annum from the date of judgment until paid (District Court of Zavala County, Texas Case No. 13-02-12941-ZCV). During 2013 the full amount of the provision was recorded together with legal fees and interest and transferred to trade and other payables.

12. Share Capital and Reserves

The Company filed Articles of Amendment effective August 25, 2014 consolidating the common shares of Eagleford Energy Inc., on the basis of one (1) common share for every ten (10) common shares and changing its name to Eagleford Energy Corp. The stock consolidation has been applied retrospectively for all periods presented.

a Share Capital

Authorized:

Unlimited number of common shares at no par value
Unlimited non-participating, non-dividend paying, voting redeemable preference shares

Issued:

The following table sets out the changes in common shares during the respective periods:

Common Shares	Number*	Amount
Balance August 31, 2013	12,262,517	$7,050,350
Warrants exercised (Note 12 b (a))	651,904	306,405
Debt settlement (Note 12 b (c))	14,757,120	1,715,426
Balance August 31, 2014	27,671,541	9,072,181
Common shares issuable upon the settlement of secured convertible note (Note 9)**	10,000,000	925,611
Balance August 31, 2015	**37,671,541**	**$9,997,792**

* Reflects the August 25, 2014 one-for-ten stock consolidation
**Common shares issuable upon the settlement of the secured convertible note subsequent to August 31, 2015 (Note 9)

12. Share Capital and Reserves (continued)

b Share Purchase Warrants

The following table sets out the changes in warrants during the respective periods:

Warrants	August 31, 2015 Number of Warrants*	August 31, 2015 Weighted Average Price*	August 31, 2014 Number of Warrants*	August 31, 2014 Weighted Average Price*
Outstanding, beginning of period	9,293,560	$0.18	4,020,095	$0.40
Warrants exercised (Note 12 b (a))			(651,904)	$0.35
Warrants expired (Note 12 b (d) and (b))	(1,915,000)	$0.50	(1,453,191)	$0.35
Warrants issued (Note 12 (c))			7,378,560	$0.10
Balance, end of period	**7,378,560**	**$0.10**	9,293,560	$0.18

* Reflects the August 25, 2014 one-for-ten stock consolidation

(a) Effective February 27, 2014, 651,904 common share purchase warrants were exercised at $0.35 expiring February 27, 2014 for settlement of cash advances of $228,167. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $78,238 (Note 8).

(b) On February 5, 2014, 200,000 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $24,000 with a corresponding increase to contributed surplus. On February 25, 2014, 80,052 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $9,606 with a corresponding increase to contributed surplus. On February 27, 2014, 1,173,139 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $140,793 with a corresponding increase to contributed surplus.

(c) Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. Each unit is comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$0.10 until August 30, 2017. The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as a loss on settlement of debt in the consolidated statement of operations and comprehensive loss. The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock (Note 9 and 10).

(d) On January 24, 2015, 600,000 common share purchase warrants exercisable at $0.50 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $507,038 with a corresponding increase to contributed surplus. On February 17, 2015, 1,315,000 common share purchase warrants exercisable at $0.50 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $662,851 with a corresponding increase to contributed surplus.

(e) Effective August 31, 2015, the Company entered into a Settlement and Exercise of Security Agreement to extinguish a secured convertible note payable in the amount of $1,608,149 plus interest of $154,179 for a total of $1,762,328. As partial consideration of the settlement the Company agreed to shares of common stock of the Company with a fair value of $925,611 (Note 9).

12. Share Capital and Reserves (continued)

The following table summarizes the outstanding warrants as at August 31, 2015 and 2014, respectively:

Number of Warrants*	Exercise Price*	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
7,378,560	**$0.10**	**August 30, 2017**	**2.00**	**801,079**

* Reflects the August 25, 2014 one-for-ten stock consolidation

Number of Warrants*	Exercise Price*	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
600,000	$0.50	January 24, 2015	0.40	$507,038
1,315,000	$0.50	February 17, 2015	0.47	662,851
7,378,560	$0.10	August 30, 2017	3.00	801,079
9,293,560	**$0.50**		**2.47**	**$1,970,968**

* Reflects the August 25, 2014 one-for-ten stock consolidation

c Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	August 31, 2015	August 31, 2014*
Weighted Average Shares Outstanding, basic	**27,698,938**	12,675,329
Weighted Average Shares Outstanding, diluted	**37,555,135**	12,675,329

* Reflects the August 25, 2014 one-for-ten stock consolidation

The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

d Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding common shares of the Company on a rolling basis

The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options*	Weighted Average Exercise Price
Balance, August 31, 2014 and 2013	105,000	$1.64
Granted	1,000,000	0.12
Expired	(5,000)	(1.64)
Balance, August 31, 2015	**1,100,000**	**$0.25**

* Reflects the August 25, 2014 one-for-ten stock consolidation

12. Share Capital and Reserves (continued)

The following table is a summary of the Company's stock options outstanding and exercisable as at August 31, 2015 and 2014, respectively:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options*	Weighted Average Exercise Price	Weighted Average Remaining Life (Years) (1)	Number of Options*	Weighted Average Exercise Price
$1.60	100,000	$1.60	1.50	100,000	$1.60
$0.12	1,000,000	$0.12	4.20	1,000,000	$0.12
	1,100,000	**$0.25**	**3.95**	**1,100,000**	**$0.25**

* Reflects the August 25, 2014 one-for-ten stock consolidation

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options*	Weighted Average Exercise Price	Weighted Average Remaining Life (Years) (1)	Number of Options*	Weighted Average Exercise Price
$1.60	100,000	$1.60	2.50	1,00,000	$1.60
$2.50	5,000	$2.50	0.16	5,000	$2.50
	105,000	**$1.64**	**2.39**	**105,000**	**$1.64**

* Reflects the August 25, 2014 one-for-ten stock consolidation

Stock Based Compensation

On November 12, 2014, the Company granted options to purchase 750,000 common shares to directors. These options are exercisable at $0.12 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of $84,520.

Stock Based Compensation – Non Employees

On November 12, 2014, the Company granted options to purchase 250,000 common shares to a consultant of the Company. These options are exercisable at $0.12 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of $28,173.

The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following weighted average assumptions used.

	November 12, 2014
Weighted average fair value per option	$0.11
Weighted average risk free interest rate	1.54%
Forfeiture rate	0%
Weighted average expected volatility	287.49%
Expected life (years)	5
Dividend yield	Nil

12. Share Capital and Reserves (continued)

e Contributed Surplus

Contributed surplus transactions for the respective periods are as follows:

	Amount
Balance, August 31, 2013	$506,200
Warrants expired (Note 12 b)	174,399
Derivative warrants expired (Note 10)	709,299
Balance, August 31, 2014	1,389,898
Stock options expired (Note 12 d)	11,112
Warrants expired (Note 12 b)	1,169,889
Derivative warrants expired Note 10)	1,258,206
Balance, August 31, 2015	**$3,829,105**

13. Supplemental Cash Flow Information and Non-Cash Transactions

The following table summarizes the non-cash transactions for the years set out:

Non-cash transactions	**August 31, 2015 ($)**	August 31, 2014 ($)	August 31, 2013 ($)
Warrants expired	(1,169,889)	-	-
Stock options expired	(11,112)	-	-
Stock based compensation	112,693	-	-
Derivative warrants expired	(1,258,206)	(709,299)	-
Warrants exercised for settlement of cash advances	-	228,167	-
Disposal of decommissioning obligation	135,064	26,426	-
Royalties paid under Matthews JDA	-	(167,715)	-
Units issued to settle debt	-	1,180,570	-
Warrants exercised	-	(78,238)	-
Shares issued for interest on secured note and shareholders' loans	-	-	601,576
Broker warrants issued	-	-	44,895
Shares to be issued to settle debt	925,611	-	344,927

The following table summarizes the changes in non-cash working capital for the years set out:

Changes in non-cash working capital	**August 31, 2015**	August 31, 2014	August 31, 2013
Trade and other receivables	$137,652	$(129,335)	$(10,261)
Trade and other payables	153,479	331,480	339,622
Deferred revenue	(177,804)	177,804	-
Prepaid expenses and deposits	-	158,295	(158,295)
Provisions	-	-	398,362
Net change	$113,327	$538,244	$569,428

14. Financial Instruments and Concentration of Risks

The Company has classified its financial instruments as follows:

Financial Instrument	Category	Measurement method
Cash	Fair value through profit or loss	Fair value
Marketable securities	Available-for-sale	Fair value
Derivative liabilities	Fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Provisions	Other financial liabilities	Amortized cost
Secured note payable, shareholders' loans and loans payable	Other financial liabilities	Amortized cost

The types of risk exposure and the ways in which such exposures are managed are as follows:

Credit Risk

Credit risk is primarily related to the Company's receivables from joint venture partners and the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from joint venture partners are normally collected within one to three months of the joint venture bill being issued to the partner. The Company historically has not experienced any collection issues with its joint venture partners to date. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Company establishes an allowance for doubtful accounts as determined by management based on their assessed collectability; therefore, the carrying amount of trade and other receivables generally represents the maximum credit exposure. The Company believes that its counterparties currently have the financial capacity to settle outstanding obligations in the normal course of business.

Concentration risks exist in cash because significant balances are maintained with one financial institution. The risk is mitigated because the financial institution is an international bank.

The Company's maximum exposure to credit risk is as follows:

	August 31, 2015	August 31, 2014
Cash	$32,192	$103,215
Trade and other receivables	51,323	157,121
Balance	$83,515	$260,336

Liquidity Risk

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to fulfill planned exploration commitments on its oil and gas properties or that viable options are available to fund such commitments from new equity issuances or alternative sources such as farm-out agreements. However, as an exploration company at an early stage of development and without significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned. The current uncertainty in global markets have had an impact on the Company's ability to access capital or other viable options on terms that are acceptable to the Company.

The following table illustrates the contractual maturities of financial liabilities:

August 31, 2015	**Payments Due by Period**				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	$1,630,809	$1,630,809	-	-	-
Shareholders' loans (1)	339,588	339,588	-	-	-
Loans payable (1)	1,063,105	1,063,105	-	-	-
Total	$3,033,502	$3,033,502	-	-	-

(1) Translated at current exchange rate.

14. Financial Instruments and Concentration of Risks (continued)

August 31, 2014	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	$1,483,775	$1,483,775	-	-	-
Shareholders' loans (1)	981,834	981,834	-	-	-
Total	$2,465,609	$2,465,609	-	-	-

(2) Translated at current exchange rate.

Market Risk

Market risk represents the risk of loss that may impact the Company's financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, commodity price risk, and other relevant market or price risks. The Company does not use derivative financial instruments or derivative commodity instruments to mitigate this risk.

The oil and gas industry is exposed to a variety of risks including the uncertainty of finding and recovering economic reserves, the performance of hydrocarbon reservoirs, securing markets for production, commodity prices, interest rate fluctuations, potential damage to or malfunction of equipment and changes to income tax, royalty, environmental or other such factors.

Market events and conditions in recent years including oil and gas supply and demand, disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions have caused significant volatility to commodity prices. These conditions contributed to a loss of confidence in the broader U.S. and global credit and financial markets and the oil and gas sector. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions contributed to further deteriorate the broader credit markets and stock market declines. These factors have negatively impacted company valuations and may impact the performance of the global economy going forward. Although economic conditions improved, the recovery has been slow in various sectors including in Europe and North America and has been impacted by various ongoing factors including sovereign debt levels and high levels of unemployment which continue to impact commodity prices and to result in volatility in the stock market.

The Company mitigates these risks by:

- attempts to utilize competent, professional consultants as support to management,
- reviewing available petrophyisical analysis of prospects,
- focusing on a limited number of properties.

(i) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that affect the levels of supply and demand.

The Company believes that movement in commodity prices that are reasonably possible over the next twelve month period may have a significant impact on the Company as all its oil properties are still in a development stage.

14. Financial Instruments and Concentration of Risks (continued)

Commodity Price Sensitivity

The following table summarizes the sensitivity of the fair value of the Company's risk management position for the year ended August 31, 2015 and 2014 to fluctuations in natural gas prices, with all other variables held constant. When assessing the potential impact of these price changes, the Company believes that 10 percent volatility is a reasonable measure. Fluctuations in natural gas prices potentially could have resulted in unrealized gains (losses) impacting net income as follows:

	2015		2014	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
Net revenue	$59,918	$46,192	$72,451	$57,597
Net income (loss)	$2,074,306	$2,060,580	$(6,107,550)	$(6,122,404)

(ii) Currency Risk

The Company is exposed to the fluctuations in foreign exchange rates. The prices received by the Company for the production of natural gas and natural gas liquids are primarily determined in reference to United States dollars but are settled with the Company in Canadian dollars. The Company's cash flow for commodity sales will therefore be impacted by fluctuations in foreign exchange rates.

The Company operates in Canada and a portion of its expenses are incurred in U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in US dollars at August 31, 2015 and 2014:

	August 31, 2015	August 31, 2014
Cash	22,166	$73,099
Trade and other receivables	24,154	74,091
Trade and other payables	(873,523)	(882,877)
Shareholders' loans	(249,250)	(904,250)
Derivative liabilities	(212,668)	(4,899,511)
Loans payable	(776,000)	-
Prepaid expenses and deposits	-	27,478
Exploration and evaluation assets	-	4,638,600
Deferred revenue	-	(165,000)
Provisions	-	(32,948)
Net assets denominated in US$	$(2,065,121)	$(2,071,318)
Net asset CDN dollar equivalent at period end (1)	$(2,730,710)	$(2,249,038)

(1) Translated at the exchange rate in effect at August 31, 2015 $1.3223 (August 31, 2014 $1.0858)

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the periods set out from a change in the U.S dollar exchange rate in which the Company has exposure with all other variables held constant.

	August 31, 2015		August 31, 2014	
	Increase	Decrease	Increase	Decrease
Percentage change in US Dollar	In total comprehensive loss from a change in % in the US Exchange Rate ($)		In total comprehensive loss from a change in % in the US Exchange Rate ($)	
5%	(180,541)	180,541	(122,100)	122,100
10%	(361,082)	361,082	(244,201)	244,201
15%	(541,623)	541,623	(366,301)	366,301
20%	(722,163)	722,163	(488,401)	488,401

14. Financial Instruments and Concentration of Risks (continued)

(iii) Interest Rate Risk
Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The majority of the Company's debt is short-term in nature with fixed rates. Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company.

(iv) Fair Value of Financial Instruments
The Company's financial instruments included on the consolidated statement of financial position as at August 31, 2015 and 2014 are comprised of cash, derivative liabilities, trade and other receivables, trade and other payables, loans payable, shareholders' loans and provisions.

The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

• Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

• Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

	August 31, 2015		August 31, 2014	
Financial Instrument Classification	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Fair value through profit or loss:				
Cash	32,192	32,192	103,215	103,215
Derivative liabilities	281,210	281,210	5,325,407	5,325,407
Loans and receivables:				
Trade and other receivables	51,323	51,323	157,121	157,121
Other financial liabilities:				
Trade and other payables	1,630,809	1,630,809	1,483,775	1,483,775
Shareholders' loans	339,588	339,588	981,834	981,834
Loans payable	1,063,105	1,063,105	-	-
Provisions (short and long term)	11,563	11,563	47,543	47,543

Cash and derivative liabilities are stated at fair value (Level 1 measurement). The carrying value of trade and other receivables, trade and other payables, loans payable, secured note payable and provisions approximate their fair value due to the short-term maturity of these financial instruments (Level 3 measurement). Shareholders' loans are measured at the exchange amount.

14. Financial Instruments and Concentration of Risks (continued)

Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to funds its operations, growth and ongoing exploration and development commitments on its oil and gas interests. The Company is dependent on funding these activities through debt and equity financings and joint venture arrangements. Due to long lead cycles of the Company's exploration and development activities, the Company's capital requirements currently exceed its operational cash flow generated. As such the Company is dependent upon future financings in order to maintain its flexibility and liquidity and may from time to time be required to issue equity, issue debt, adjust capital spending or obtain additional farm-in arrangements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, availability of capital and the risk characteristics of any underlying assets in order to meet current and upcoming obligations.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favourable market conditions to sustain future development of the business. As at August 31, 2015 and August 31, 2014 and the Company considered its capital structure to comprise of shareholders equity and long-term debt.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's capital management plan during the period ended August 31, 2015. The Company is not subject to any externally imposed restrictions on its capital requirements.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favorable market conditions and opportunities to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

15. Income Taxes

The Company has unused capital losses in the amount of approximately $195,852 (2014: $195,852) which may be carried forward indefinitely to offset future capital gains, and unused non capital losses available to reduce income in future years expiring as follows:

2015	47,434
2026	55,415
2027	42,337
2028	49,166
2029	252,898
2030	275,165
2031	648,310
2032	780,686
2033	829,530
2034	659,384
2035	839,494
	$4,479,819

15. Income Taxes (continued)

A reconciliation between income taxes provided at actual rates and at the basic rate ranging from 26.50% to 34% (2014: 26.50%% to 34%) for federal and provincial taxes is as follows:

	2015	2014
Net Loss	$2,695,018	$6,115,585
Taxes at statutory rates	(714,180)	(1,620,630)
Non-taxable items and others	564,318	1,412,019
Change in unrecognized deferred tax asset	149,862	208,611
	$ -	$ -

The significant components of the Company's unrecognized deferred income tax asset are summarized as follows:

	2015	2014
Operating loss carry forwards	$1,187,152	$1,019,911
Share issue costs	3,748	19,112
Marketable securities	-	777
Capital losses carry forwards	28,070	28,070
Oil and gas interests	76,713	76,713
Cumulative eligible capital	-	1,237
Unrecognized deferred tax asset	$1,295,683	$1,145,821

16. Discontinued Operations and Dissolution of Subsidiary

a Discontinued Operations of Eagleford Energy, Zavala Inc.

In accordance with the terms of a Secured Note and General Security Agreement (the "Loan Agreements") the Company had granted and conveyed to Benchmark a first priority security interest in the Company and Zavala Inc.

At August 31, 2015, the Company was unable to pay the Note of $1,608,149 plus interest of $154,179, totaling $1,762,328 which constituted an event of default pursuant to the terms of the Loan Agreements. Benchmark having made demand for payment of all amounts owed to it under the Note gave notice to the Company that it intended to exercise its security on the Company's assets.

In an effort to avoid further costs the Company and Benchmark entered into a Settlement and Exercise of Security Agreement effective August 31, 2015 with the following terms:

(1) Effective August 31, 2015, the Company assigns and conveys to Benchmark all of its rights, title and interest in and to Zavala Inc., including but not limited to all of the issued and outstanding common shares of Zavala Inc.; and

(2) Issue 10,000,000 shares of common stock of the Company;

As a result the extinguishment of the Note, the Company's investment in Zavala Inc. has been deconsolidated from the Company's Consolidated Financial Statements as at the effective date (August 31, 2015) and presented as discontinued operations on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows.

16. Discontinued Operations and Dissolution of Subsidiary (continued)

The following table presents the consolidated statements of operations and comprehensive income (loss) of Zavala Inc. for the years set out:

	August 31, 2015	August 31, 2014	August 31, 2013
Expenses			
Accretion	$1,498	$913	$-
General and administrative (recovery)	73,347	(305)	1,213
Bad debt expense	29,756	-	-
Impairment loss on marketable securities	167,815	-	-
Impairment loss on exploration and evaluation assets	4,490,045	-	-
Loss from discontinued operations	(4,762,461)	(608)	(1,213)
Foreign currency translation	(4,692)	3,800	892
Comprehensive income (loss) from discontinued operations	$(4,767,153)	$3,192	$(321)
Loss per share basic and diluted from discontinued operations	$(0.172)	$(0.000)	$(0.000)

The following table presents the consolidated statements of cash flows of Zavala Inc. for the years set out:

	August 31, 2015	August 31, 2014	August 31, 2013
Cash provided by (used in)			
Operating activities			
Net loss from discontinued operations	$(4,762,461)	$(608)	$(1,213)
Accretion	1,498	913	-
Impairment loss on marketable securities	167,815		
Impairment loss on exploration and evaluation assets	4,490,045	-	-
Net changes in non-cash working capital			
Accounts receivable	79,790	(80,448)	-
Accounts payable	(58,979)	64,169	1,266
Deferred revenue	(177,804)	177,804	
Cash provided by (used in) operating activities, discontinued operations	(260,096)	161,830	53
Investing activities			
Additions to exploration and evaluation assets	(109,874)	(113,578)	-
Cash used in investing activities, discontinued operations	(109,874)	(113,578)	
Financing activities			
Loans payable	279,053	-	-
Cash provided by financing activities, discontinued operations	279,053	-	-
Net cash provided by (used in) discontinued operations	$(90,917)	$48,252	$53

The following table presents the effect of the de-consolidation of Zavala Inc., on the Consolidated Statement of Financial Position of the Company at August 31, 2015:

	August 31, 2015
Accounts receivable	$658
Restricted cash	33,058
Marketable securities	10,578
Exploration and evaluation assets	1,212,996
Provisions	(135,064)
Loan payable	(279,053)
Accounts payable	(6,456)
Net assets and liabilities of Zavala Inc.	$836,717

Upon disposition of Zavala Inc., the Company realized a foreign exchange translation gain of $615,881.

16. Discontinued Operations and Dissolution of Subsidiary (continued)

b Dissolution of Dyami Energy LLC

During the year ended August 31, 2013, the Company, Dyami Energy and OGR Energy Corporation, the Lessees, were litigating a dispute with the Lessors of the Matthew's property. During the last quarter of fiscal year August 2013, the Company and the Lessors agreed to resolve the litigation and continue with the development of the Matthew's property. In order to comply with certain State legal requirements, it was deemed necessary by the Lessors counsel to continue with the development through a newly executed lease document and the Company formed, Zavala Inc. a new wholly owned subsidiary to execute the new lease. The new lease was signed effective September 1, 2013 and the first of two payments of US$150,000 were paid to the Lessors upon signing the new lease as required initial pre-payment of anticipated production royalties along with a continuing development obligation under the lease to complete the previously drilled Matthews #1H horizontal well or drill a new well on the Matthews property no later than March 30, 2014. On September 1, 2013, the Matthews lease was renewed by the Company through Zavala Inc. and based on the concept of faithful representation under IAS 8, the carrying value of the Matthew's lease by Dyami Energy was considered to be the value for Zavala Inc. as this arrangement is simply a reorganization in substance.

Subsequent to September 1, 2013 and the continuing development of the Matthews lease, Dyami Energy continued its development efforts with the Murphy lease. A tentative joint venture agreement with Stratex was reached but did not materialize and efforts to develop the Murphy lease were not successful. The Company had solicited lenders and investors in an attempt to obtain debt/equity financings as a means to improve Dyami Energy's financial situation. Despite the Company's attempts, these efforts were unsuccessful and management determined that it could no longer fund the Murphy operations, hence the lease was considered impaired and an impairment loss was recorded by Dyami Energy during the third quarter. On March 6, 2014, the Company filed a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas for its wholly-owned subsidiary Dyami Energy and effective April 3, 2014, Dyami Energy was dissolved. All prior obligations with respect to the Matthew's and Murphy leases on the books of Dyami Energy prior to its dissolution were recorded by the Company.

The Company's investment in Dyami Energy has been deconsolidated from the Company's Consolidated Financial Statements as at the effective date, and presented on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flow as an impairment of the net assets and liabilities on dissolution of subsidiary.

The following table presents the effect of the dissolution of Dyami Energy on the consolidated financial statements of the Company at April 3, 2014:

	April 3, 2014
Exploration and evaluation assets – Murphy Lease	$(1,675,749)
Provisions	58,589
Foreign currency translation reserve	301,884
Net assets and liabilities of Dyami Energy	$(1,315,276)

17. Subsequent Events

On August 13, 2015, the Company filed a petition against Stratex in the District Court of Harris County, Texas seeking breach of the settlement agreement dated March 31, 2015, for monies owed under the settlement agreement and unpaid production revenue of approximately US$44,000 in the aggregate plus damages. On December 4, 2015, the Company obtained a judgment against Stratex in the amount of $62,069.

On September 25, 2015, 112,490 and 17,998 derivative warrants exercisable at US$5.00 and US$2.50, respectively expired and the fair value measured using the Black-Scholes option pricing model of $281,210 was recorded as an increase to contributed surplus.

17. Subsequent Events (continued)

On December 22, 2015, the Company issued 5,000,000 common shares in the capital of the Company at a price of $0.01 per share for gross proceeds of $50,000.

On December 22, 2015, the Company issued a total of 103,299,838 units at CDN $0.01 in the capital of the Company pursuant to the anti-dilution clause of the August 30, 2014 debt settlement agreements of $1,180,570. Each unit is comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$0.10 until August 30, 2017. The fair value of the units $7,882,072 was allocated to common shares $4,542,981 and warrants $3,339,091 based on their relative fair values and $7,882,072 was recorded as a loss on settlement of debt.

On December 22, 2015, the Company issued a total of 95,431,100 common shares in the capital of the Company at a price of US$0.01 per share upon the conversion of debt in the aggregate amount of $1,274,291 (US$954,311). The amount allocated to common shares based on fair value was $6,371,457 and $5,097,166 was recorded as a loss on settlement of debt.

Interim Condensed Consolidated Financial Statements
For the Three and Nine Months Ended May 31, 2018
(Unaudited)
(Expressed in Canadian Dollars)

Notice of No Auditor Review of
Interim Condensed Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor. The accompanying unaudited interim condensed consolidated financial statements of Novicius Corp. (the “Company”) have been prepared by and are the responsibility of the management of the Company. The Company's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
Unaudited

		May 31, 2018		August 31, 2017
Assets				
Current assets				
Cash	$	5,440	$	1,040
Other receivables (Note 11)		8,710		41,007
Total current assets		14,150		42,047
Total Assets	**$**	**14,150**	$	42,047
Liabilities and Shareholders' Deficiency				
Current liabilities				
Trade and other payables	$	639,272	$	529,823
Shareholder loans (Note 7)		74,696		-
Total current liabilities		713,968		529,823
Shareholders' deficiency				
Common shares (Note 9 a)		23,651,529		23,651,529
Share purchase warrants (Note 9 b)		749,866		749,866
Share purchase options (Note 9 d)		-		1,611,450
Contributed surplus		6,932,154		5,184,363
Accumulated deficit		(32,033,367)		(31,684,984)
Total shareholders' deficiency		(699,818)		(487,776)
Total Liabilities and Shareholders' Deficiency	**$**	**14,150**	$	42,047

Going Concern (Note 1 b)
Related Party Transactions and Balances (Note 7)
Subsequent Event (Note 12)

The accompanying notes are an integral part of these consolidated financial statements

Interim Condensed Consolidated Statements of Operations and Other Comprehensive Loss
(Expressed in Canadian Dollars)
Unaudited

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2018	2017	**2018**	2017
Revenue				
Advertising revenue	$ -	$ 4,508	$ -	$ 4,508
Expenses				
Hosting, advertising and technology services	791	56,733	2,866	51,279
Research, content development and technology support	-	36,218	-	292,727
General and administrative	91,593	119,830	206,985	397,453
Loss on foreign exchange	929	66	2,191	1,754
Stock based compensation (Note 9 e)	34,086	-	136,341	136,291
Stock based compensation-non employees (Note 9 e)	-	-	-	14,805
Anti-dilution fees (Note 8)	-	(9,818)	-	8,182
	127,398	203,029	348,383	902,491
Net loss from operations and other comprehensive loss	$ (127,398)	$ (198,521)	$ (348,383)	$ (897,983)
Loss per share, basic and diluted	**$ (0.024)**	$ (0.075)	**$ (0.066)**	$ (0.338)
Weighted average shares outstanding, basic and diluted	**5,283,164**	2,658,319	**5,283,164**	2,655,784

The accompanying notes are an integral part of these consolidated financial statements

Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)
Unaudited

	SHARE CAPITAL Number of Common Shares*	SHARE CAPITAL COMMON SHARES $	SHARE PURCHASE WARRANTS $	SHARE PURCHASE OPTIONS $	CONTRI-BUTED SURPLUS $	ACCUMULATED DEFICIT $	TOTAL SHARE-HOLDERS' DEFICIENCY $
Balance, August 31, 2016	2,650,627	23,220,683	2,925,837	828,334	1,921,743	(29,587,246)	(690,649)
Stock based compensation	-	-	-	151,096	-	-	151,096
Units issued as private placement	7,692	30,233	19,767	-	-	-	50,000
Stock options expired	-	-	-	(812,965)	812,965	-	-
Net loss for the period	-	-	-	-	-	(897,983)	(897,983)
Balance, May 31, 2017	2,658,319	23,250,916	2,945,604	166,465	2,734,708	(30,485,229)	(1,387,536)
Warrants expired	-	-	(2,195,738)	-	2,195,738	-	-
Stock based compensation	-	-	-	1,698,902	-	-	1,698,902
Stock options expired	-	-	-	(253,917)	253,917	-	-
Shares issued as settlement of shareholder advances	1,187,672	213,781	-	-	-	-	213,781
Shares issued as anti-dilution provision	1,420,809	184,705	-	-	-	-	184,705
Units issued as anti-dilution provision	16,364	2,127	-	-	-	-	2,127
Net loss for the period	-	-	-	-	-	(1,199,755)	(1,199,755)
Balance, August 31, 2017	5,283,164	23,651,529	749,866	1,611,450	5,184,363	(31,684,984)	(487,776)
Stock based compensation	-	-	-	136,341	-	-	136,341
Stock options cancelled	-	-	-	(1,747,791)	1,747,791	-	-
Net loss for the period	-	-	-	-	-	(348,383)	(348,383)
Balance, May 31, 2018	**5,283,164**	**23,651,529**	**749,866**	**-**	**6,932,154**	**(32,033,367)**	**(699,818)**

***Reflects the May 26, 2017 one (1) for ten (10) consolidation**

The accompanying notes are an integral part of these consolidated financial statements

Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Unaudited

	Nine Months Ended May 31, 2018	2017
Cash provided by (used in)		
Operating activities		
Net loss	$ (348,383)	$ (897,983)
Items not involving cash:		
Stock based compensation (Note 9 e)	136,341	151,096
Anti-dilution fees (Note 8)	-	8,182
Working capital adjustments		
Increase in other receivables	32,296	(10,704)
Decrease in prepaid expenses and deposits	-	17,799
Increase in trade and other payables	109,450	150,918
Net cash used in operating activites	(70,296)	(580,692)
Investing activities		
Secured note receivable (Note 6)	-	(87,750)
Net cash used in investing activities	-	(87,750)
Financing activities		
Shareholder loans (Note 7)	74,696	176,625
Private placement of units	-	50,000
Net cash provided by financing activities	74,696	226,625
Increase (decrease) in cash for the period	4,400	(441,817)
Net effect of exchange rate changes in cash	-	(2,498)
Cash, beginning of period	1,040	449,983
Cash, end of period	**$ 5,440**	$ 5,668

The accompanying notes are an integral part of these consolidated financial statements

1. a) Nature of Business

Novicius Corp. was amalgamated under the Business Corporations Act (*Ontario)* on November 30, 2009 ("Novicius" or the "Company"). The Company filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. Through the Company's wholly owned Ontario subsidiary, DoubleTap Daily Inc., (formerly: Digital Widget Factory Inc.) the Company has developed, doubletap.co an online content management and advertising platform that powers user and advertising engagement programs in real-time to desktop, mobile and portable devices.

The Company's registered and head office is located at 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1. The Company's common shares are listed for trading on the Canadian Securities Exchange under the symbol NVS.

The unaudited interim condensed consolidated financial statements include the accounts of Novicius, the legal parent, together with its wholly-owned subsidiaries, Ice Studio Productions Inc., incorporated in the Province of Ontario on June 16, 2016 ("ICE Studio") and DoubleTap Daily Inc., incorporated in the Province of Ontario on February 29, 2016 ("DoubleTap").

b) Going Concern

These unaudited interim condensed consolidated financial statements (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company has developed its advertising platform and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of development, content creation and marketing of its platform.

Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, or other means of funding its operations, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company, or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

The Company has accumulated significant losses and negative cash flows from operations in recent years which raise doubt as to the validity of the going concern assumption. As at May 31, 2018, the Company has a working capital deficiency of $699,818 (August 31, 2017: $487,776) and an accumulated deficit of $32,033,367 (August 31, 2017: $31,684,984). These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. The Consolidated Financial Statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying Consolidated Financial Statements.

2. Basis of Preparation

Statement of Compliance
These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by IFRIC. These Consolidated Financial Statements of the Company were approved by the Board of Directors on July 12, 2018.

Basis of Measurement
The Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

Functional and Presentation Currency
The functional and presentation currency of the parent Novicius and its wholly owned subsidiaries ICE Studio and DoubleTap is Canadian dollars.

3. Significant Accounting Policies

The policies applied in these Consolidated Financial Statements are based on IFRS issued and outstanding as of the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these Consolidated Financial Statements as compared with the most recent annual consolidated financial statements as at and for the year ended August 31, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending August 31, 2018, could result in restatement of these Consolidated Financial Statements. These Consolidated Financial Statements should be read in conjunction with our annual consolidated financial statements as at and for the year ended August 31, 2017.

Significant Accounting Estimates and Judgements

The preparation of the Consolidated Financial Statements in accordance with IFRS requires that management make estimates and assumptions and use judgment regarding the measured amounts of assets, liabilities and contingent liabilities at the date of the Consolidated Financial Statements and reported amounts of revenue and expenses during the reporting period. Such estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Consolidated Financial Statements are:

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is an uncertainty regarding the Corporation's ability to continue as a going concern (Note 1 b).

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Fair Value of Stock Based Compensation and Warrants

In determining the fair value of share based payments the calculated amounts are not based on historical cost but is derived based on assumptions (such as the expected volatility of the price of the underlying security, expected hold period before exercise, dividend yield and the risk-free rate of return) input into a pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options and compensation warrants before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period; dividend yield; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or compensation warrants and they are not transferable. Similar calculations are made in estimating the fair value of the warrant component of an equity unit. The assumptions used in these calculations are inherently uncertain. Changes in these assumptions could materially affect the related fair value estimates.

Fair Value of Derivative Liabilities

The Company is exposed to risks related to changes in its share prices, foreign exchange rates, interest rate and volatility rates used to determine the estimated fair value of its derivative liabilities. In the determination of the fair value of these instruments, the Company utilizes certain independent values and, when not available, internal financial models which are based primarily on observable market data. Management's judgment is required in the development of these models. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, discount rates and dividend yield.

Settlement of Debt with Equity Instruments

Equity instruments issued to a creditor to extinguish a financial liability are measured at the fair value of the equity instruments at the date the financial liability is extinguished. The Company estimates the fair value of warrants using the Binomial Lattice pricing model and further assumptions including the expected life, volatility, discount rates and dividend yield. The fair value of the units comprising shares and warrants issued in connection with the extinguishment of a financial liability are then prorated to the total market value of the common shares.

Income Tax
Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

4. Recent Accounting Pronouncements and Recent Adopted Accounting Standards

Recent Issued Accounting Pronouncements
The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

(i) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective September 1, 2018 and is currently assessing the impact of this new standard on the Consolidated Financial Statements.

(ii) In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments – Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the Consolidated Financial Statements.

(iii) On January 13, 2016, the IASB issued IFRS 16 Leases ("IFRS 16") which will replace IAS 17, Leases. IFRS 16 will bring leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is assessing the impact of this new standard on the Consolidated Financial Statements.

(iv) Amendments to IFRS 2 - Classification and measurement of Share-based payment transactions ("IFRS 2"): On June 20, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively, retrospectively, or early application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its Consolidated Financial Statements for the annual period beginning on September 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRIC 22 – Foreign currency transactions and advance consideration: IFRIC was issued in December 2016 to provide guidance on accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The new interpretation is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the interpretation on its consolidated financial statements.

5. Segmented Information

The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officers monitor the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. The Company's reportable and geographical segment is located in Canada.

6. Secured Note Receivable

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC ("Catch Star"). On October 12, 2016, the Company advanced US$65,000 ($81,483 as at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the "Secured Note"). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. On February 1, 2017, the Company issued a letter of demand for the repayment in full of the Secured Note from Catch Star. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount.

7. Related Party Transactions and Balances

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the amount agreed to by the related parties.

Compensation of Key Management Personnel
The remuneration of directors and other members of key management personnel during the periods set out were as follows:

	Three Months Ended May 31		**Nine Months Ended May 31**	
	2018	2017	**2018**	2017
Short term employee benefits (1) (2)	$15,000	$37,500	$45,000	$110,481
Director/Officer stock based compensation (3)	34,085	-	136,341	136,291
	$49,085	$37,500	**$181,341**	$246,772

The following balances owing to the President and Chief Financial Officer of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	May 31, 2018	August 31, 2017
Short term employee benefits (1) (2)	$61,500	$101,500
	$61,500	$101,500

(1) The Company incurs management fees to the Chief Financial Officer of the Company at a rate of $5,000 per month.
(2) On September 9, 2016, the Company entered into an employment agreement with the President of the Company under which the Company agreed to pay to the President, a base salary of $90,000 and grant one hundred thousand (100,000) common share purchase options (Note 9 e). Effective May 21, 2017, the Company and the President agreed to amend the terms of the employment agreement, by reducing the President's base salary to $10.00 annually, allowing the President to contract his services to Torinit contemporaneous with his continued employment with the Company and providing a top up provision of up to $1,500 in a month from the Company if the gross compensation earned by the President from Torinit during June, July and August of 2017 (the "Period"), reduces the overall compensation earned by the President below $7,500 in any such month during the Period.
(3) On September 9, 2016 and November 1, 2016, the Company granted options to purchase 130,000 and 50,000 common shares to officers and directors (Note 9 e).

On September 1, 2016, the Company entered into an agreement for a period of 12 months with Torinit Technologies Inc., ("Torinit") to provide dedicated resource augmentation to DoubleTap in an effort to optimize user experience while navigating through the DoubleTap.co website and drive traffic growth by engaging users across all demographics (the "Torinit Services"). As consideration for the Torinit Services, the Company agreed to compensate Torinit the sum of $8,000 per month based on 320 hours per month for a 12 month period. Dikshant Batra, a director of the Company, is also the President, a director and major shareholder of Torinit. As at May 31, 2018 and August 31, 2017, included in trade and other payables of the Company is $23,961 due to Torinit.

As at May 31, 2018, the amount of directors' fees included in trade and other payables was $10,400 (August 31, 2017: $10,200).

As at May 31, 2018, the Company had non-interest-bearing loans due on demand payable to Core Energy Enterprises Inc. ("Core") a shareholder of the Company, in the aggregate amount of $40,800 (August 31, 2017: $Nil). The Chief Financial Officer of the Company is a major shareholder, officer and a director of Core.

At May 31, 2018, the Company had a non-interest bearing, due on demand loan payable to a shareholder in the amount of $25,896 (US $20,000).

8. Derivative Liabilities

As at May 31, 2018, the Company had no derivative liabilities (August 31, 2017: $Nil).

On August 31, 2016, the Company completed private placements for gross proceeds of $260,000 and issued 23,636 units in the capital of the Company at a purchase price of $11.00 per unit. The subscription agreements contained an anti-dilution provision such that if within 18 months of August 31, 2016, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than $11.00 (the "Adjusted Price") the Holder shall be entitled to receive from the Company (for no additional consideration) additional units in an amount such that, when added to the number of units acquired by Holder under this agreement will equal the number of units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price. On November 30, 2016, the Company completed a private placement for gross proceeds of $50,000 and issued 7,692 units in the capital of the Company at a purchase price of $6.50 per unit and accordingly this transaction gave effect to additional units to be issued pursuant to the Adjusted Price. At May 31, 2017, the Company recorded the additional 16,364 units to be issued in the amount of $8,182 as a derivative liability on the statement of financial position and as anti-dilution fees on the statement of operations (Note 9 b (c) and Note 9 b (d)).

9. Share Capital and Reserves

The Company filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. The consolidated financial statements have been adjusted to reflect the consolidation accordingly.

a) Share Capital

Authorized:
Unlimited number of common shares at no par value
Unlimited number of preferred shares issuable in series

Common Shares Issued:
The following table sets out the changes in common shares during the respective periods:

	Number	Amount $
Balance August 31, 2016	2,650,627	23,220,683
Common shares issued as private placement (Note 9 b (a))	7,692	30,233
Common shares issued as settlement of shareholder advances (Note 9 b (b))	1,187,672	213,781
Common shares issued as anti-dilution provision (Note 9 b (c))	1,420,809	184,705
Common shares issued as anti-dilution provision (Note 9 b (d))	16,364	2,127
Balance August 31, 2017 and May 31, 2018	**5,283,164**	**23,651,529**

Preferred Shares Issued:
As at May 31, 2018 and August 31, 2017, there were no preferred shares issued.

b) Share Purchase Warrants

The following table sets out the changes in warrants during the respective periods:

Warrants	Number of Warrants	Weighted Average Price
Outstanding, August 31, 2016	722,572	$8.60
Warrants issued (Note 9 b (a))	7,692	-
Warrants issued (Note 9 b (d))	16,364	-
Warrants expired (Note 9 b (e))	(538,417)	-
Balance, August 31, 2017 and May 31, 2018	**208,211**	**$5.27**

(a) On November 30, 2016, the Company completed private placements for gross proceeds of $50,000 and issued 7,692 units in the capital of the Company at a purchase price of $6.50 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until November 30, 2019. The fair value of the units ($50,000) was allocated to common shares $30,233 and the amount allocated to warrants component using a Binomial Lattice model was $19,767.

(b) Effective August 31, 2017, the Company settled shareholder advances of $213,781 and issued 1,187,672 common shares in the capital of the Company at a price of $0.18 per share.

(c) Pursuant to the August 31, 2017, settlement of shareholder advances of $213,781 (Note 9 b (b), effective August 31, 2017, the Company issued 1,420,809 common shares in the capital of the Company pursuant to the anti-dilution provision of the August 31, 2016, private placement agreements. The fair value of $184,705 was calculated on the previous day's closing price of the Company's common shares and allocated to common shares and anti-dilution fees in the consolidated statement of operations (Note 8).

(d) Pursuant to the November 30, 2016, private placement of $50,000 (Note 11 b (h), effective August 31, 2017, the Company issued 16,364 Units in the capital of the Company pursuant to the anti-dilution provision of the August 31, 2016, private placement agreements. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until November 30, 2019. The fair value of the units of $2,127 was allocated to common shares and anti-dilution fees in the consolidated statement of operations. No value was allocated to warrants based on the Binomial Lattice model (Note 8).

(e) On August 31, 2017, 538,417 common share purchase warrants exercisable at $10.00 expired. The amount allocated to warrants based on the Binomial Lattice model was $2,195,738 with a corresponding increase to contributed surplus.

The following table summarizes the outstanding warrants as at May 31, 2018 and August 31, 2017, respectively:

Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
160,519	$3.50	March 1, 2019	0.75	603,370
23,636	$12.50	August 31, 2019	1.25	126,729
24,056	$10.00	November 30, 2019	1.50	19,767
208,211			**0.89**	**749,866**

Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
160,519	$3.50	March 1, 2019	1.50	603,370
23,636	$12.50	August 31, 2019	2.00	126,729
24,056	$10.00	November 30, 2019	2.25	19,767
208,211			**1.64**	**749,866**

c) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	Three Months Ended May 31		Six Months Ended May 31	
	2018	**2017**	**2018**	**2017**
Weighted Average Shares Outstanding, basic and diluted	**5,283,164**	2,587,984	**5,283,164**	2,655,784

As at February 28, 2018, there were 208,211 common share purchase warrants that could be exercised, however they are anti-dilutive. The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

d) Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding common shares of the Company on a rolling basis.

The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options	Weighted Average Exercise Price $
Balance, August 31, 2016	38,300	22.80
Granted	200,000	12.05
Expired	(83,300)	(13.63)
Balance, August 31, 2017	155,000	13.87
Cancelled (Note a)	(155,000)	(13.87)
Balance, May 31, 2018	**-**	**-**

a) On May 1, 2018, all outstanding share purchase options were released and cancelled.

The following table is a summary of the Company's stock options outstanding and exercisable as at August 31, 2017:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price $
$12.00	5,000	2.20	November 11, 2019	5,000	0.39
$15.00	70,000	4.02	September 8, 2021	-	-
$13.00	80,000	4.02	September 8, 2021	80,000	6.71
	155,000	3.95		85,000	13.87

e) Stock Based Compensation

Employees

On September 9, 2016, the Company granted 30,000 common share purchase options to shares to a director and 30,000 common share purchase options the President and recorded non-cash stock-based compensation expense of $44,416. These options were exercisable at $13.00 per share and expired on September 8, 2021. On May 1, 2018, these share purchase options were released and cancelled.

On September 9, 2016, the Company granted to the President 70,000 common share purchase options exercisable at $15.00 per share and expiring on September 8, 2021. Of these options 35,000 vested on September 8, 2017 and 35,000 vest on September 8, 2018. As at May 31, 2018, Company recorded non-cash stock-based compensation expense of $136,341 (May 31, 2017: $50,897). On May 1, 2018, these share purchase options were released and cancelled.

On November 1, 2016, the Company granted 50,000 common share purchase options vesting March 30, 2017 to the former Chief Financial Officer and recorded non-cash stock-based compensation expense of $40,978. These options were exercisable at $6.40 per share and expired on April 25, 2017.

Non-Employees

On September 9, 2016, the Company granted 20,000 immediately vesting common share purchase options to a consultant of the Company and recorded non-cash stock-based compensation expense of $14,805. These options were exercisable at $13.00 per share and expire on September 8, 2021. On May 1, 2018, these options were released and cancelled.

The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following assumptions and inputs:

	November 1, 2016	September 9, 2016
Weighted average fair value per option	$5.90	$11.70
Weighted average risk-free interest rate	0.68%	0.59%
Forfeiture rate	0%	0%
Weighted average expected volatility	156.70%	152.32%
Expected life (years)	5	5
Dividend yield	Nil	Nil
Stock price on the date of grant	$6.40	$12.90

10. Non-Cash Transactions

The following table summarizes the non-cash transactions for the periods set out:

Non-Cash Transactions	May 31, 2018 ($)	May 31, 2017 ($)
Stock based compensation (Note 9 e)	136,341	151,096
Stock options cancelled/expired	(1,747,791)	(812,965)
Units to be issued as anti-dilution provision (Note 8)	-	8,182

11. Financial Instruments and Concentration of Risks

Financial instruments are measured at fair value on initial recognition of the instrument. The types of risk exposure to the Company's financial instruments and the ways in which such exposures are managed are as follows:

Credit Risk
Credit risk is primarily related to the Company's receivables and cash and the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. At May 31, 2018, trade and other receivables amounts are $Nil (August 31, 2017: $Nil). At May 31, 2018, included in other receivables is HST due from the Government of Canada in the amount of $8,710 (August 31, 2017: $41,007).

Concentration risk exists in cash because cash balances are maintained with one financial institution. The risk is mitigated because the financial institution is an international bank and all amounts are due on demand. The Company's maximum exposure to credit risk is as follows:

	May 31, 2018 ($)	August 31, 2017 ($)
Cash	5,440	1,040
Balance	5,440	1,040

Liquidity Risk
The Company monitors its liquidity position regularly to assess whether it has the funds necessary to fulfill planned opportunities or that viable options are available to fund such opportunities from new equity issuances or alternative sources of financings. As a company without significant revenue, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that such financing terms may not be acceptable to the Company.

The following table illustrates the contractual maturities of financial liabilities:

May 31, 2018	**Payments Due by Period $**				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	639,272	639,272	-	-	-
Shareholder loans	74,696	74,696			
Total	713,968	713,968	-	-	

August 31, 2017	Payments Due by Period $				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	529,823	529,823	-	-	-
Total	529,823	529,823	-	-	-

Market Risk
Market risk represents the risk of loss that may impact the Company's financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, and other relevant market or price risks. The Company does not use derivative instruments to mitigate this risk.

(i) Currency Risk
The Company is exposed to the fluctuations in foreign exchange rates. The Company operates in Canada and a portion of its expenses are incurred in US dollars. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in US dollars as at the year-end set out below:

	May 31, 2018 ($)	May 31, 2017 ($)
Cash	-	1,589
Secured note receivable	-	65,000
Trade and other payables	(39,414)	(41,706)
Net assets (liabilities) denominated in US$	(39,414)	24,883
Net assets (liabilities) CDN dollar equivalent at period end [(1)]	(51,033)	33,592

(1) Translated at the exchange rate in effect at May 31, 2018 $1.2948 (May 31, 2017: $1.35)

The following table shows the estimated sensitivity of the Company's total loss for the periods set out from a change in the US dollar exchange rate in which the Company has exposure with all other variables held constant.

	May 31, 2018		May 31, 2017	
	Increase	Decrease	Increase	Decrease
Percentage change in US Dollar	In total loss from a change in % in the US Exchange Rate ($)		In total loss from a change in % in the US Exchange Rate ($)	
5%	(3,304)	3,304	(2,268)	2,268
10%	(6,608)	6,608	(4,535)	4,535
15%	(9,912)	9,912	(6,803)	6,803

(ii) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The majority of the Company's debt is short-term in nature with fixed rates.

(iii) Fair Value of Financial Instruments

The Company's financial instruments included on the consolidated statements of financial position are comprised of cash, secured note receivable and trade and other payables. The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

• Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

• Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

		May 31, 2018		August 31, 2017	
Financial Instrument Classification	Level	Carrying Value ($)	Fair Value ($)	Carrying Value ($)	Fair Value ($)
Fair value through profit or loss:					
Cash	1	5,440	5,440	1,040	1,040
Other financial liabilities:					
Trade and other payables		639,272	639,272	529,823	529,823
Shareholder loans		74,696	74,696	-	-

Cash is stated at fair value (Level 1 measurement). The carrying value of trade and other payables and shareholder loans approximate their fair value due to the short-term maturity of these financial instruments.

Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to fund its operations, growth and ongoing development opportunities. The Company's capital requirements currently exceed its operational cash flow. As such, the Company is dependent upon future financings in order to maintain liquidity and will be required to issue equity or issue debt.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, availability of capital and the risk characteristics of any underlying assets in order to meet current and upcoming obligations.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favourable market conditions to sustain future development of the business. As at May 31, 2018 and August 31, 2017, the Company considered its capital structure to be comprised of shareholders' deficiency.

12. Subsequent Events

Subsequent to the period end the Company executed an amended and restated non-binding letter of intent with Grown Rogue Unlimited, LLC, an Oregon limited liability company ("Grown Rogue") pursuant to which it is contemplated that the Company may combine its business operations with Grown Rogue by way of a three-cornered amalgamation (the "RTO Transaction") resulting in a reverse take-over of the Company by Grown Rogue and the listing for trading of the shares of the resulting issuer on the Canadian Securities Exchange (the "Exchange"). The non-binding letter of intent has been amended and restated (the "Amended LOI") to extend the term of the Amended LOI, to reflect the amended terms of the Private Placement (as defined below) to be completed by an affiliate of Grown Rogue prior to the closing of the RTO Transaction, and to reflect continuing discussions between Grown Rogue and the Company with respect to the terms of the RTO Transaction.

Pursuant to the Amended LOI It is expected that prior to the completion of the RTO Transaction, all of the unitholders of Grown Rogue will exchange their units of Grown Rogue for common shares in Grown Rogue Canada Inc. ("Grown Rogue Canada"), a company incorporated under the laws of Ontario, which will result in Grown Rogue Canada owning all of the units in Grown Rogue (the "Grown Rogue Securities Exchange"). Upon completion of the Grown Rogue Securities Exchange, Grown Rogue Canada will amalgamate with a subsidiary of Novicius and the shareholders of Grown Rogue Canada that participated in the Grown Rogue Securities Exchange will receive common shares of Novicius at a deemed price of $0.44 per share.

In addition, the Company and Grown Rogue Canada announced that Grown Rogue Canada completed an initial tranche of its planned financing for a total issuance of 5,673,417 subscription receipts (the "Subscription Receipts") at a price of $0.44 each for total proceeds of $2,496,303 (the "Private Placement"). Each Subscription Receipt is convertible, without additional consideration, into a unit (a "GRC Unit") consisting of one common share in GRC ("GRC Share") and one common share purchase warrant in GRC ("GRC Warrant"). Each GRC Warrant entitles the holder to purchase one GRC Share at a price of $0.55 per share until 24 months after the RTO Transaction has been completed.

GRC plans to complete a second tranche and raise up to an additional $3,500,000 in Subscription Receipts prior to the completion of the RTO Transaction. The GRC Units and the Compensation Options will be exchanged for corresponding securities, respectively, in Novicius (as the resulting issuer) upon completion of the RTO Transaction.

All of the gross proceeds received by Grown Rogue Canada under the Private Placement are being held in escrow and are to be released to Grown Rogue Canada upon satisfying certain conditions including, among other things, (i) CSE approval of the RTO Transaction and (ii) the acquisition by Grown Rogue Canada of, directly or indirectly, 100% of the membership units of Grown Rogue Unlimited, LLC (the "Escrow Release Condition"). If the Escrow Release Condition is not satisfied or waived by September 3, 2018, the Subscription Receipts will automatically be cancelled and the proceeds of the Private Placement will be returned to the holders of the Subscription Receipts in an amount per Subscription Receipt equal to: (i) the purchase price of the Subscription Receipt; and (ii) a pro rata share of interest, if any, earned thereon.

M Partners Inc. and PI Financial Corp. acted as co-lead agents for GRC (the "Agents") in connection with the Private Placement and will receive, upon closing of the RTO Transaction, a cash commission equal to 7% of the aggregate proceeds of the portion of the Private Placement sold to subscribers sourced by the Agents, and a cash commission equal to 3.5% of the aggregate proceeds from all other subscribers participating in the private placement. The Agents have received an aggregate number of compensation options (the "Compensation Options") equal to 7% of the number of Subscription Receipts issued to subscribers sourced by the Agents, and an aggregate number of Compensation Options equal to 3.5% of the number of Subscription Receipts issued to all other subscribers participating in the private placement.

Each Compensation Option entitles the holder to purchase one GRC Unit at a price of $0.44 per unit until 24 months after completing the RTO Transaction.

There can be no assurance that the RTO Transaction will occur, or that it will occur on the terms and conditions contemplated in this news release. The RTO Transaction could be modified, restructured or terminated. Actual results could differ materially from those currently anticipated due to a number of factors and risks. The completion of the RTO Transaction is contingent on a number of conditions precedent including, but not limited to, (i) receipt of all requisite corporate, shareholder and regulatory approvals, (ii) completion of satisfactory due diligence by each of the parties, (iii) completion of the Grown Rogue Securities Exchange, (iv) completion of the Brokered Offering, (v) completion of the Company's anticipated consolidation of 1.4 pre-consolidated common shares for one 1 post-consolidated common share, (vi) the reduction of Novicius debt, and (vii) the execution of a definitive agreement between the parties. No assurance is given that the Transaction will close as contemplated.

Appendix "B"

(Formerly: Intelligent Content Enterprises Inc.)

Management's Discussion and Analysis
For the year ended
August 31, 2017

1 King Street West, Suite 1505, Toronto, ON, Canada Telephone: 416 364 4039, Facsimile: 416 364-8244

OVERVIEW

Novicius Corp., (formerly: Intelligent Content Enterprises Inc.) was amalgamated under the Business Corporations Act (*Ontario)* on November 30, 2009 ("Novicius" or the "Company"). The Company filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. The Company filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. Through the Company's wholly owned Ontario subsidiary, DoubleTap Daily Inc., (formerly: Digital Widget Factory Inc.) the Company has developed an online content management and advertising platform that powers user and advertising engagement programs in real-time to desktop, mobile and portable devices (http://doubletap.co).

The Company's registered office is 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1. The Company's common shares trade on OTCQB under the symbol NVSIF and on the Canadian Securities Exchange under the symbol NVS.

The consolidated financial statements include the accounts of Novicius, the legal parent, together with its wholly-owned subsidiaries, Ice Studio Productions Inc., incorporated in the Province of Ontario on June 16, 2016 ("ICE Studio") and DoubleTap incorporated in the Province of Ontario on February 29, 2016.

Effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta Ltd., a company operating in the province of Alberta ("1354166 Alberta"). The Company's former subsidiaries, Eagleford Energy, Zavala Inc., a Nevada company ("Zavala Inc."), and its' wholly owned subsidiary EEZ Operating Inc., a Texas company ("EEZ Operating") were disposed of effective August 31, 2015.

The following Management's Discussion and Analysis of Novicius should be read in conjunction with the Company's Audited Consolidated Financial Statements for the year ended August 31, 2017 and notes thereto. The Company's Audited Consolidated Financial Statements for the year ended August 31, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). All amounts herein are presented in Canadian dollars, unless otherwise noted. This Management's Discussion and Analysis is dated December 28, 2017 and has been approved by the Board of Directors of the Company.

Our Canadian public filings can be accessed and viewed via the System for Electronic Data Analysis and Retrieval ("SEDAR") at www.sedar.com. Readers can also access and view our Canadian public insider trading reports via the System for Electronic Disclosure by Insiders at www.sedi.ca. Our U.S. public filings are available at the public reference room of the U.S. Securities and Exchange Commission ("SEC") located at 100 F Street, N.E., Room 1580, Washington, DC 20549 and at the website maintained by the SEC at www.sec.gov.

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis contains certain forward-looking statements, including management's assessment of future plans and operations, and capital expenditures and the timing thereof, that involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control. Such risks and uncertainties include, without limitation, risks associated with ability to access sufficient capital from internal and external sources, the impact of general economic conditions in Canada, the United States and overseas, industry conditions, changes in laws and regulations (including the adoption of new laws and regulations) and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that the Company will derive there from. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this Management Discussion and Analysis are made as at the date of this Management Discussion and Analysis and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

OVERALL PERFORMANCE

For the year ended August 31, 2017, net loss from continuing operations was $2,097,738 compared to a net loss from continuing operations of $13,534,298 for year ended August 31, 2016. The decrease in net loss during 2017, was primarily related to a loss on settlement of debt of $Nil compared to $12,489,249 in fiscal 2016. The loss on settlement of debt during fiscal 2016 was primarily attributed to the issuance of 1,032,998 units in the capital of the Company at fair value pursuant to the anti-dilution provisions of the August 30, 2014, debt conversion agreements and the issuance of 954,311 common shares of the Company at fair value as settlement of loans and interest due in the amount of $1,262,453. In addition during fiscal 2017, the Company experienced an increase in stock based compensation of $1,234,074 to $1,849,998 versus stock based compensation expense of $615,924 during fiscal 2016. The increase in stock based compensation expenses is largely related to increase in allotments, changes in share prices and assumptions used in the fair value calculation of stock options. During fiscal 2017, prior obligations of the Company's former defunct subsidiary Dyami Energy, LLC ("Dyami Energy") expired and the Company recorded a gain on de-recognition of financial liabilities in the amount of $893,990. Also in the current period the Company recorded a loss on marketable securities of $Nil versus $120,125 for the same twelve month period in fiscal 2016. During fiscal 2017, the Company recorded an impairment loss of $81,483 on a secured note receivable compared to $Nil in the prior fiscal period in 2016.

On November 30, 2016, the Company completed a private placement for gross proceeds of $50,000 and issued 7,692 units in the capital of the Company at a purchase price of $6.50 per unit. Each unit was comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until November 30, 2019.

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC ("Catch Star"). On October 12, 2016, the Company advanced US$65,000 ($81,483 at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the "Secured Note"). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. On February 1, 2017, the Company issued a letter of demand for the repayment in full of the Secured Note from Catch Star. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount.

Effective August 31, 2017, the Company settled shareholder advances of $213,781 and issued 1,187,672 common shares in the capital of the Company at a purchase price of $0.18 per share.

As a result of the November 30, 2016, private placement of $50,000 and the August 31, 2017, settlement of shareholder advances of $213,781, effective August 31, 2017, the Company issued 1,420,809 common shares and 16,364 Units in the capital of the Company pursuant to the anti-dilution provisions of the August 31, 2016, private placement agreements.

On August 31, 2017, 538,417 common share purchase warrants expired. The amount allocated to warrants based on the Binomial Lattice model was $2,195,738 with a corresponding increase to contributed surplus.

The Company anticipates further expenditures to be made on future opportunities evaluated by the Company. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by the Company, or by other means. The Company's long-term profitability will depend upon its ability to successfully implement its business plan. The Company's past primary source of liquidity and capital resources has been proceeds from the issuance of share capital, shareholders' loans and cash flow from oil and gas operations.

RISK AND UNCERTAINTIES

The Company is subject to several risk factors which may have adverse effects on our business which could harm our operating results including, but not limited to: the ability to generate and aggregate compelling content to increase the number of users of our services or users' level of engagement with our services; the effect of technologies, tools, software, and applications could block our advertisements, impair our ability to deliver interest-based advertising, or shift the location in which advertising appears; changes in regulations or user concerns regarding privacy and protection of user data; continued and unimpeded access to the internet by us and our users. Internet access providers may be able to block, degrade, or charge for access to certain of our products and services, which could lead to additional expenses and the loss of users and advertisers and certain of our metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

As the Company has not experienced any cash flow from operations to independently finance its growth and operations, it has been reliant on access to capital in the form of both debt and equity to fund on-going operations and to fund capital investments. Although periodic volatility of financial and capital markets may severely limit access to capital, the Company has been able to attract the required investment capital in the past however no assurances can be made that it will continue to do so in the future.

The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Company also cautions readers not to place undue reliance on these forward-looking statements. Moreover, the forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above (For additional risk factors, please see the Company's Annual Information Form filed on Form 20F).

FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS

Financial instruments are measured at fair value on initial recognition of the instrument. The types of risk exposure to the Company's financial instruments and the ways in which such exposures are managed are as follows:

Credit Risk

Credit risk is primarily related to the Company's receivables and cash and the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. At August 31, 2017, trade and other receivables amounts are $Nil (August 31, 2016: $Nil). At August 31, 2017, included in other receivables is HST due from the Government of Canada in the amount of $41,007 (August 31, 2016: $14,800).

Concentration risk exists in cash because cash balances are maintained with one financial institution. The risk is mitigated because the financial institution is an international bank and all amounts are due on demand.

The Company's maximum exposure to credit risk is as follows:

	August 31, 2017 ($)	August 31, 2016 ($)
Cash	1,040	449,983
Balance	1,040	449,983

Liquidity Risk

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to fulfill planned opportunities or that viable options are available to fund such opportunities from new equity issuances or alternative sources of financings. As a company without significant revenue, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that such financing terms may not be acceptable to the Company.

The following table illustrates the contractual maturities of financial liabilities:

August 31, 2017	**Payments Due by Period $**				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	529,823	529,823	-	-	-
Total	529,823	529,823	-	-	-

August 31, 2016	Payments Due by Period $				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	1,173,231	1,173,231	-	-	-
Total	1,173,231	1,173,231	-	-	-

Market Risk

Market risk represents the risk of loss that may impact the Company's financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, and other relevant market or price risks. The Company does not use derivative instruments to mitigate this risk.

(i) Currency Risk

The Company is exposed to the fluctuations in foreign exchange rates. The Company operates in Canada and a portion of its expenses are incurred in US dollars. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in US dollars as at the year-end set out below:

	August 31, 2017 ($)	August 31, 2016 ($)
Cash	77	6,157
Prepaid expenses and deposits	-	7,814
Trade and other payables	(38,777)	(26,322)
Net assets (liabilities) denominated in US$	(38,700)	(12,351)
Net assets (liabilities) CDN dollar equivalent at period end [1]	(48,514)	(16,209)

(1) Translated at the exchange rate in effect at August 31, 2017 $1.2536 (August 31, 2016 $1.3124)

The following table shows the estimated sensitivity of the Company's total loss for the periods set out from a change in the US dollar exchange rate in which the Company has exposure with all other variables held constant.

	August 31, 2017		August 31, 2016	
	Increase	Decrease	Increase	Decrease
Percentage change in US Dollar	In total loss from a change in % in the US Exchange Rate ($)		In total loss from a change in % in the US Exchange Rate ($)	
5%	(3,041)	3,041	(1,064)	1,064
10%	(6,082)	6,082	(2,127)	2,127
15%	(9,123)	9,123	(3,191)	3,191

(ii) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The majority of the Company's debt is short-term in nature with fixed rates.

(iii) Fair Value of Financial Instruments

The Company's financial instruments included on the consolidated statements of financial position are comprised of cash, secured note receivable and trade and other payables. The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

• Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

• Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

		August 31, 2017		August 31, 2016	
Financial Instrument Classification	Level	Carrying Value ($)	Fair Value ($)	Carrying Value ($)	Fair Value ($)
Fair value through profit or loss:					
Cash	1	1,040	1,040	449,983	449,983
Other financial liabilities:					
Trade and other payables		529,823	529,823	1,173,231	1,173,231

Cash is stated at fair value (Level 1 measurement). The carrying value of trade and other payables approximate their fair value due to the short-term maturity of these financial instruments.

Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to fund its operations, growth and ongoing development opportunities. The Company's capital requirements currently exceed its operational cash flow. As such, the Company is dependent upon future financings in order to maintain liquidity and will be required to issue equity or issue debt.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, availability of capital and the risk characteristics of any underlying assets in order to meet current and upcoming obligations.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favourable market conditions to sustain future development of the business. As at August 31, 2017 and 2016, the Company considered its capital structure to be comprised of shareholders' deficiency.

SELECTED ANNUAL INFORMATION-CONTINUING OPERATIONS

The following table reflects the summary of results for the years set out.

	For the Years Ended August 31		
	2017 $	**2016 $**	**2015 $**
Revenue	20,788	-	53,055
Net income (loss) from continuing operations	(2,097,738)	(13,534,298)	3,325,649
Income (loss) per share from continuing operations, basic	(0.788)	(6.516)	12.006
Income (loss) per share from continuing operations, diluted	(0.788)	(6.516)	8.855
Assets	42,047	482,582	93,115

August 31, 2017 – 2016

For the year ended August 31, 2017, net loss from continuing operations was $2,097,738 compared to a net loss from continuing operations of $13,534,298 for year ended August 31, 2016. The decrease in net loss during 2017, was primarily related to a loss on settlement of debt of $Nil compared to $12,489,249 in fiscal 2016. The loss on settlement of debt during fiscal 2016 was primarily attributed to the issuance of 1,032,998 units in the capital of the Company at fair value pursuant to the anti-dilution provisions of the August 30, 2014, debt conversion agreements and the issuance of 954,311 common shares of the Company at fair value as settlement of loans and interest due in the amount of $1,262,453. In addition during fiscal 2017, the Company experienced an increase in stock based compensation of $1,234,074 to $1,849,998 versus stock based compensation expense of $615,924 during fiscal 2016. The increase in stock based compensation expenses is largely related to increase in allotments, changes in share prices and assumptions used in the fair value calculation of stock options. During fiscal 2017, prior obligations of the Company's former defunct subsidiary Dyami Energy, LLC ("Dyami Energy") expired and the Company recorded a gain on de-recognition of financial liabilities in the amount of $893,990. Also in the current period the Company recorded a loss on marketable securities of $Nil versus $120,125 for the same twelve month period in fiscal 2016. During fiscal 2017, the Company recorded an impairment loss of $81,483 on a secured note receivable compared to $Nil in the prior fiscal period in 2016.

August 31, 2016 – 2015

Net loss from continuing operations for the year ended August 31, 2016 was $13,534,298 compared to a net income from continuing operations of $3,325,649 for year ended August 31, 2015. The increase in net loss during 2016, was primarily related to an increase in loss on settlement of debt of $12,489,249 compared to $Nil in fiscal 2015 and an increase in stock based compensation of $503,231 to $615,924 versus stock based compensation expense of $112,693 during fiscal 2015. The increase in stock based compensation during fiscal 2016 was related to stock options granted to a director of the Company. Loss on settlement of debt during fiscal 2016 was, was primarily attributed to the issuance of 1,032,998 units in the capital of the Company at fair value pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements and the issuance of 954,311 common shares of the Company at fair value as settlement of loans and interest due in the amount of $1,262,453. The Company also experienced increases in research, content development and technology support of $160,519 compared to $Nil in 2015 and increases in hosting, advertising and technology services of $45,272 compared to $Nil in fiscal 2015.

RESULTS OF OPERATIONS-CONTINUING OPERATIONS

Revenue

Advertising Revenue

For the year ended August 31, 2017, the Company recorded advertising revenue of $20,788 compared to $Nil for the same twelve month period ended during fiscal 2016. The increase in advertising revenue for the current period is a result of the development of the Company's online management and advertising platform (http://doubletap.co) during fiscal 2017.

Natural Gas Sales

Natural gas sales for the years ended August 31, 2017 and 2016 was $Nil. Effective February 29, 2016, the Company disposed of its interest in 1354166 Alberta and as a result, its operations were deconsolidated from the Company's Consolidated Financial Statements and presented as discontinued operations on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows.

During fiscal 2015, natural gas sales were $53,055, average natural gas sales volumes were 61 mcf/d and total production volume for the year ended August 31, 2015 was 22,406 mcf. The average price received per mcf was $3.06 and operating costs were $24,910 for fiscal 2015.

Research, Content Development and Technology Support
For the year ended August 31, 2017, the Company incurred research, content development and technology support costs of $313,106 compared to $160,519 in the prior comparable period in 2016 (2015: $Nil). The increase in research, content development and technology support costs during fiscal 2017 and 2016 is related to development of the Company's online management and advertising platform (http://doubletap.co) during fiscal 2017.

Hosting, Advertising and Technology Services
For the year ended August 31, 2017, the Company incurred hosting and technology costs of $71,423 compared to $45,272 for the year ended August 31, 2016 (2015: $Nil). The increase in hosting and technology costs experienced in current fiscal year 2017 and 2016, was a result of the development of the Company's online management and advertising platform (http://doubletap.co) during fiscal 2017.

General and Administrative	**For the Years Ended August 31,**		
	2017	**2016**	**2015**
Professional fees	$179,907	$148,662	$91,233
Head office costs	42,000	42,000	42,000
Management fees	60,000	60,000	(156,250)
Transfer and registrar costs	20,985	12,842	9,053
Shareholders information	72,473	63,375	34,187
Office and general costs	11,809	5,826	5,384
Directors fees	8,700	1,800	2,400
Consulting fees and expenses	90,000	60,000	61,000
Travel	2,920	15,215	-
Rent	19,447	3,776	-
Insurance	-	4,710	-
Total	$508,241	$418,206	$89,007

For the year ended August 31, 2017, the Company's general and administrative costs increased by $90,035 to $508,241 versus $418,206 for the year ended August 31, 2016. The increase expenses during fiscal 2017 was primarily attributed to an increase in professional fees of $31,245 to $179,907 compared to $148,662 in fiscal 2016, an increase in consulting fees of $30,000, and an increase of $15,671 in rent versus $3,776 recorded in the comparable period in 2016. The increase in professional fees was mainly attributed to the correction of prior period errors related to the DWF Settlement Agreement. The increase in rent during 2017 was a result of the office space rented in relation to DWF operations. During fiscal 2017, the Company also experienced an increase of $9,098 in shareholders information and an increase of $8,143 in transfer and registrar costs related to the name change of the Company from Intelligent Content Enterprises Inc., to Novicius Corp., and the consolidation of common shares effective May 26, 2017. In addition, the Company has recorded increased fees related to its listing on the Canadian Securities Exchange.

For the year ended August 31, 2016, the Company's general and administrative costs were significantly higher by $329,199 to $418,206 compared to $89,007 for the comparable year ended August 31, 2015. The increase in expenses during fiscal 2016 was mainly attributed to an increase in management fees to $60,000 compared to a recovery of management fees of $156,250 in 2015 as a result of $306,250 of management fees forgiven by the former President. Shareholders' information costs also increased by $29,188 during the current fiscal year to $63,375 compared to $34,187. The increases in shareholders information costs were by in large related to the consolidation of shares and name change of the Company effective February 1, 2016, and the annual listing fees for the OTCQB. The Company also experienced increases in professional fees of $57,429 to $148,662 during fiscal 2016 compared to $91,233 for the year ended August 31, 2015. In addition, during fiscal 2016 the Company incurred additional increases in travel, insurance and transfer agent fees.

Loss on Foreign Exchange
For the year ended August 31, 2017, the Company recorded a loss on foreign exchange of $1,433 compared to a loss on foreign exchange of $21,890 for the same twelve month period ended August 31, 2016.

For the year ended August 31, 2016, the Company recorded a loss on foreign exchange of $21,890 versus a loss on foreign exchange of $415,345 for year ended August 31, 2015.

These foreign exchange losses are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company. The decrease in the loss on foreign exchange during fiscal 2017 and 2016 compared to fiscal 2015, is largely attributed to the disposition of Zavala Inc., whose functional currency was US dollars.

Stock Based Compensation
Employees
For the year ended August 31, 2017, the Company recorded stock based compensation of $1,614,605 compared to $615,924 for the same period in 2016.

During fiscal 2017, the Company granted the following common share purchase options:

- On September 9, 2016, the Company granted 30,000 immediately vesting common share purchase options to shares to a director and 30,000 common share purchase options vesting February 6, 2017 to the President. These options are exercisable at $13.00 per share and expire on September 8, 2021. The Company recorded non-cash stock based compensation expense of $706,178.

- On September 9, 2016, the Company granted to the President 70,000 common share purchase options exercisable at $15.00 per share and expiring on September 8, 2021. Of these options 35,000 vest on September 8, 2017 and 35,000 vest on September 8, 2018. The Company recorded non-cash stock based compensation expense of $613,532.

- On November 1, 2016, the Company granted 50,000 common share purchase options vesting March 30, 2017 to the former Chief Financial Officer. These options were exercisable at $6.40 per share and expired on April 25, 2017. The Company recorded non-cash stock based compensation expense of $294,895.

For the year ended August 31, 2016, the Company recorded stock based compensation of $615,924 compared to $84,520 for the same period in 2015.

During fiscal 2016, the Company granted the following common share purchase options:

- On April 1, 2016, the Company granted options to purchase 30,000 common shares to a director. The Company recorded non-cash stock based compensation expense of $615,924. These options expired on December 8, 2016.

During fiscal 2015, the Company granted the following common share purchase options:

- On November 12, 2014, the Company granted options to purchase 7,500 common shares to directors of the Company. These options are exercisable at $11.20 per share, vest immediately and expire as follows: 2,500 on November 11, 2019; 2,500 on December 8, 2016; and 2,500 expired on March 21, 2016. The Company recorded non-cash stock based compensation expense of $84,520

Non Employees

For the year ended August 31, 2017, the Company recorded stock based compensation for non-employees of $235,393 compared to $Nil for the same twelve month period in 2016. On September 9, 2016, the Company granted 20,000 immediately vesting common share purchase options to a consultant of the Company. These options are exercisable at $13.00 per share and expire on September 8, 2021.

For the year ended August 31, 2016, the Company recorded stock based compensation for non-employees of $Nil compared to $28,173 for the year ended August 31, 2015. On November 12, 2014, the Company granted options to purchase 2,500 common shares to a consultant of the Company. These options are exercisable at $11.20 per share, vest immediately and expire on November 11, 2019.

Anti-Dilution Fees

For the year ended August 31, 2017, the Company recorded anti-dilution fees of $186,832 compared to $Nil for the year ended August 31, 2016 and 2015.

On August 31, 2016, the Company completed private placements for gross proceeds of $260,000 and issued 23,636 units in the capital of the Company at a purchase price of $11.00 per unit. The subscription agreements contain an anti-dilution provision such that if within 18 months of August 31, 2016, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than $11.00 (the “Adjusted Price”) the Holder shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price.

As a result of the November 30, 2016, private placement of $50,000, the Company issued 16,364 Units in the capital of the Company pursuant to the anti-dilution provisions of the August 31, 2016, private placement agreements. The fair value of the units $2,127 was allocated to common shares and anti-dilution fees in the consolidated statement of operations. No value was allocated to warrants based on the Binomial Lattice model.

As a result of the August 31, 2017, private placement of $213,781, the Company issued 1,420,809 common shares in the capital of the Company pursuant to the anti-dilution provisions of the August 31, 2016, private placement agreements. The fair value of $184,705 was calculated on the previous day’s closing price of the Company’s common shares and allocated to common shares and anti-dilution fees in the consolidated statement of operations.

Gain on De-recognition of Financial Liabilities

During fiscal 2017, prior obligations of the Company’s former defunct subsidiary Dyami Energy expired and the Company recorded a gain on de-recognition of Dyami Energy’s financial liabilities in the amount of $893,990 (2016 and 2015: $Nil).

Impairment loss on Secured Note Receivable
During fiscal 2017, the Company recorded an impairment loss of $81,483 on a secured note receivable compared to $Nil in the prior fiscal period in 2016 and 2015.

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC ("Catch Star"). On October 12, 2016, the Company advanced US$65,000 ($81,483 at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the "Secured Note"). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount

Gain on Disposal of Subsidiary
For the year ended August 31, 2017, the Company recorded a gain on disposal of subsidiary in the amount of $Nil compared to a gain of $68,489 for the year ended August 31, 2016.

For the year ended August 31, 2016, the Company recorded a gain on disposal of subsidiary in the amount of $68,489 compared to a gain of $615,881 for the year ended August 31, 2015.

Effective February 29, 2016, the Company entered into a Share Purchase and Debt Settlement Agreement with 1288131 Alberta Ltd. and disposed of its interest in 1354166 Alberta for the settlement of debt owed to 1288131 Alberta Ltd., in the amount of $62,867. The net assets and liabilities of 1354166 Alberta upon disposal were $(5,622) resulting in a gain of $68,489.

At August 31, 2015, the Company settled a secured convertible note payable plus interest, totaling $1,762,328 by conveying all of its rights, title and interest in and to Zavala Inc., and issuing 1,000,000 shares of common stock of the Company. As a result the Company's extinguishment of the Note, the Company's investment in Zavala Inc. had been deconsolidated from the Company's Consolidated Financial Statements as at August 31, 2015, at which time the Company recorded a gain on disposal of subsidiary in the amount of $615,881.

Gain on Expiry of Derivative Liabilities
For the year ended August 31, 2017, the Company recorded a gain on expiry of derivative liabilities in the amount of $Nil versus a gain on expiry of derivative liabilities in the amount of $281,210 for the year ended August 31, 2016. During fiscal 2016, 1,305 warrants expired and the fair value of $281,210 was recorded as a gain on expiry of derivative liabilities in the consolidated statement of operations.

For the year ended August 31, 2016, the Company recorded a gain on expiry of derivative liabilities in the amount of $281,210 versus a gain on expiry of derivative liabilities in the amount of $1,258,206 for the year ended August 31, 2015. During fiscal 2015, 6,134 warrants expired and the fair value of $1,258,206 was recorded as a gain on expiry of derivative liabilities in the consolidated statement of operations.

Interest
For the year ended August 31, 2017, the Company recorded interest costs of $Nil compared to interest costs of $12,812 for the year ended August 31, 2016.

For the year ended August 31, 2016, the Company recorded interest costs of $12,812 compared to interest costs of $280,299 for the year ended August 31, 2015. The decrease in interest costs during the year ended August 31, 2017, and 2016 was primarily attributed to the settlement of loans payable and shareholder loans payable and the extinguishment of a secured convertible note effective August 31, 2015.

Loss on Settlement of Debt
For the year ended August 31, 2017, the Company recorded a loss on settlement of debt in the amount of $Nil compared to a loss on settlement of debt in the amount of $12,489,249 for the year ended August 31, 2016.

For the year ended August 31, 2016, the Company recorded a loss on settlement of debt in the amount of $12,489,249 compared to loss on settlement of debt of $Nil for the same twelve month period in 2015. The primary factors contributing to the resulting net loss on settlement of debt during the year ended August 31, 2016 was related to the issuance of 1,032,998 units in the capital of the Company pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements. The fair value of the units $6,896,800 was recognized as a loss on settlement of debt in the consolidated statement of operations. In Addition, effective November 18, 2015, the Company entered into shares for debt conversion agreements and converted loans and interest due in the aggregate amount of $1,262,453 through the issuance of 954,311 common shares in the capital of the Company. The fair value of the common shares $6,371,457 was allocated to common shares and $5,109,004 was recorded as a loss on settlement of debt in the consolidated statement of operations.

Impairment Loss on Marketable Securities
For the year ended August 31, 2017, the Company recorded an impairment loss on marketable securities of $Nil compared to $120,125 for the year ended August 31, 2016.

For the year ended August 31, 2016, the Company recorded an impairment loss on marketable securities of $120,125 (August 31, 2015: $Nil). As at August 31, 2017 and 2016, the Company held 1,200,000 common shares in a quoted company security that had been acquired as settlement of litigation. As at August 31, 2015, the Company recorded a change in the fair value of the securities in other comprehensive loss in the amount of $110,525. For the year ended August 31, 2016, the Company re-classified the loss of $110,525 to the consolidated statement of operations and recorded a further impairment of $9,600.

At each financial reporting period, the Company estimates the fair value of investments which are held-for-trading, based on quoted closing bid prices at the consolidated statements of financial position date or the closing bid price on the last day the security traded if there were no trades at the consolidated statements of financial position date and such valuations are reflected in the consolidated financial statements.

Gain (Loss) on Derivative Liabilities
For the year ended August 31, 2017 the Company had no derivative liabilities. As at August 31, 2017, the Company recorded a gain on expiry of derivative warrant liabilities of $Nil compared to $281,210 for the year ended August 31, 2016.

As at August 31, 2016, the Company had 175,000 derivative warrant liabilities outstanding with a fair value of $Nil. On June 22, 2016, the Company entered into a consulting agreement and issued 175,000 common share purchase warrants exercisable at $15.00 with a cashless exercise option. At August 31, 2016, the Company determined that it would not continue with the agreement and it was suspended and on January 15, 2017, the agreement was mutually terminated no warrants were exercised.

For the year ended August 31, 2015, the Company recorded a loss on derivative warrant liabilities of $214,109. The Company had warrants issued with an exercise price in US dollars which is different to the functional currency of the Company (Canadian Dollars) and accordingly the warrants were treated as a derivative financial liability and the fair value movement during the period was recognized in the consolidated statement of operations

During the year ended August 31, 2015, the Company recorded a gain derivative unit liabilities of $2,867,700. At August 31, 2015, the Company wrote down derivative unit liabilities and recognized the fair value movement during the period in the consolidated statement of operations.

Marketing and Public Relations
For the year ended August 31, 2017 and 2016, the Company recorded of $Nil versus a recovery of marketing and public relations costs of $22,800 for the year ended August 31, 2015. The recovery related to the reversal of prior period accruals.

Accretion of Convertible Secured Note
For the year ended August 31, 2017 and 2016, the Company recorded accretion on a secured convertible note in the amount of $Nil compared to $475,755 for the year ended August 31, 2015. The Company had a secured convertible note payable with a face value of US$1,216,175 (the "Note"). The Note was being accreted up to its face value over the life of Note based on an effective interest rate and was extinguished on August 31, 2015.

Gain on settlement of Litigation
For the year ended August 31, 2017 and 2016, the Company recorded a gain on settlement of litigation in the amount of $Nil compared to $120,125 for the year ended August 31, 2015. During fiscal 2015, the Company entered into a settlement agreement with a former director of the Company and received 1,200,000 common shares and 1,200,000 common share purchase warrants of Stratex Oil & Gas Holdings, Inc. ("Stratex") exercisable at US$0.15 per expiring December 31, 2018. The 1,200,000 common shares and warrants were recorded at fair value of $120,125 and allocated to gain on settlement of litigation on the consolidated statement of operations.

Net Income (Loss) from Continuing Operations
For the year ended August 31, 2017, net loss from continuing operations was $2,097,738 compared to a net loss from continuing operations of $13,534,298 for year ended August 31, 2016. The decrease in net loss during 2017, was primarily related to a loss on settlement of debt of $Nil compared to $12,489,249 in fiscal 2016. The loss on settlement of debt during fiscal 2016 was primarily attributed to the issuance of 1,032,998 units in the capital of the Company at fair value pursuant to the anti-dilution provisions of the August 30, 2014, debt conversion agreements and the issuance of 954,311 common shares of the Company at fair value as settlement of loans and interest due in the amount of $1,262,453. In addition during fiscal 2017, the Company experienced an increase in stock based compensation of $1,234,074 to $1,849,998 versus stock based compensation expense of $615,924 during fiscal 2016. The increase in stock based compensation expenses is largely related to increase in allotments, changes in share prices and assumptions used in the fair value calculation of stock options. During fiscal 2017, prior obligations of the Company's former defunct subsidiary Dyami Energy, LLC ("Dyami Energy") expired and the Company recorded a gain on de-recognition of financial liabilities in the amount of $893,990. Also in the current period the Company recorded a loss on marketable securities of $Nil versus $120,125 for the same twelve month period in fiscal 2016. During fiscal 2017, the Company recorded an impairment loss of $81,483 on a secured note receivable compared to $Nil in the prior fiscal period in 2016.

Net loss from continuing operations for the year ended August 31, 2016, was $13,534,298, compared to a net income of $3,325,649 for the year ended August 31, 2015. The increase in net loss during 2016, was primarily related to an increase in loss on settlement of debt of $12,489,249 compared to $Nil in fiscal 2015 and an increase in stock based compensation of $503,231 to $615,924 versus stock based compensation expense of $112,693 during fiscal 2015. The increase in stock based compensation during fiscal 2016 was related to stock options granted to a director of the Company. Loss on settlement of debt during fiscal 2016 was primarily attributed to the issuance of 1,032,998 units in the capital of the Company recorded at fair value pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements and the issuance of 954,311 common shares of the Company at fair value as settlement of loans and interest due in the amount of $1,262,453. The Company also experienced increases in research, content development and technology support of $160,519 compared to $Nil in 2015 and increases in hosting, advertising and technology services of $45,272 compared to $Nil in fiscal 2015.

Net Income (Loss) from Discontinued Operations Net of Tax
Net income from discontinued operations net of tax for the year ended August 31, 2017, was $Nil compared to a net income from discontinued operations net of tax of $2,711, for the year ended August 31, 2016.

Net income from discontinued operations net of tax for the year ended August 31, 2016, was $2,711 compared to a net loss from discontinued operations net of tax of $4,762,461 for the year ended August 31, 2015. The income (loss) from discontinued operations is a result of the discontinued operations of 1354166 Ontario and Zavala Inc. as follows:

1354166 Ontario
The Company entered into a Share Purchase and Debt Settlement Agreement with 1288131 Alberta Ltd. effective February 29, 2016 and disposed of its interest in 1354166 Alberta. As a result the Company's investment in 1354166 Alberta had been derecognized from the Company's Consolidated Financial Statements and presented as discontinued operations on the Consolidated Statements of Operations. The following table presents the statements of operations of 1354166 Alberta for the period set out:

	August 31,2016
Revenue	
Natural gas sales	$13,998
Expenses	
Operating costs	5,170
General and administrative	97
	(5,267)
Net income from discontinued operations	$8,731
Earnings per share from discontinued operations, basic and diluted	$0.000

Zavala Inc.
At August 31, 2015, the Company entered into a Settlement and Exercise of Security Agreement whereby effective August 31, 2015, the Company assigned and conveyed all of its rights, title and interest in and to Zavala Inc. Accordingly, the Company's investment in Zavala Inc. had been derecognized from the Company's Consolidated Financial Statements as at August 31, 2015 and presented as discontinued operations.

The following table presents the consolidated statements of operations and comprehensive income (loss) of Zavala Inc., for the years set out:

	August 31, 2016	August 31, 2015
Expenses		
Accretion	$-	$1,498
General and administrative	6,020	73,347
Bad debt expense	-	29,756
Impairment loss on marketable securities	-	167,815
Impairment loss on exploration and evaluation assets	-	4,490,045
Loss from discontinued operations	(6,020)	(4,762,461)
Foreign currency translation	-	(4,692)
Total loss from discontinued operations	$(6,020)	$(4,767,153)
Loss per share from discontinued operations, basic and diluted	$(0.000)	$(17.194)

Net Loss
Net loss for the year ended August 31, 2017, was $2,097,738 compared to a net loss of $13,531,587 the year ended August 31, 2016. The decrease in net loss during 2017, was primarily related to an increase in loss on settlement of debt of $Nil compared to $12,489,249 in fiscal 2016. In addition during fiscal 2017, the Company an increase in stock based compensation of $1,234,074 to $1,849,998 versus stock based compensation expense of $615,924 during fiscal 2016 and the Company recorded a gain on de-recognition of financial liabilities in the amount of $893,990. Also in the current period the Company recorded a loss on marketable securities of $Nil versus $120,125 for the same twelve month period in fiscal 2016. During fiscal 2017, the Company recorded an impairment loss of $81,483 on a secured note receivable compared to $Nil in the prior fiscal period in 2016.

Net loss for the year ended August 31, 2016, was $13,531,587 compared to a net loss of $1,436,812 the year ended August 31, 2015. The increase in net loss during 2016, was primarily related to an increase in loss on settlement of debt of $12,489,249 compared to $Nil in fiscal 2015 and an increase in stock based compensation of $503,231 to $615,924 versus stock based compensation expense of $112,693 during fiscal 2015. The increase in stock based compensation during fiscal 2016 was related to stock options granted to a director of the Company. Loss on settlement of debt during fiscal 2016 was primarily attributed to the issuance of 1,032,998 units in the capital of the Company recorded at fair value pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements and the issuance of 954,311 common shares of the Company at fair value as settlement of loans and interest due in the amount of $1,262,453. The Company also experienced increases in research, content development and technology support of $160,519 compared to $Nil in 2015 and increases in hosting, advertising and technology services of $45,272 compared to $Nil in fiscal 2015.

Other Comprehensive Income (Loss) to be Re-Classified
Impairment Loss on Marketable Securities
For the year ended August 31, 2016, the Company reclassified an unrealized loss on marketable securities of $110,525 recorded in fiscal 2015 to an impairment loss on marketable securities on the consolidated statements of operations as a result of the Company's investment in Stratex Oil & Gas Holdings, Inc., common shares being fair valued at $Nil.

Foreign Currency Translation-Discontinued Operations
For the year ended August 31, 2017 and 2016, the Company incurred a loss on foreign currency translation of $Nil versus a loss of $4,692 for the year ended August 31, 2015.

The losses were related to translation differences between Zavala Inc.'s US dollar functional currency converted into Canadian dollars at the period end exchange rates, and the results operations converted at average rates of exchange for the period.

Total Other Comprehensive Income (Loss)
Total other comprehensive income for the year ended August 31, 2017, was $Nil compared to a total comprehensive income of $110,525 for the year ended August 31, 2016.

Total other comprehensive income for the year ended August 31, 2016, was $110,525 compared to a total comprehensive loss of $115,217 for the year ended August 31, 2015.

Net Loss and Comprehensive Loss
Net loss and comprehensive loss for the year ended August 31, 2017, was $2,097,738 compared to $13,421,062 for the year ended August 31, 2016. The decrease in net loss during 2017, was primarily related to an increase in loss on settlement of debt of $Nil compared to $12,489,249 in fiscal 2016. In addition during fiscal 2017, the Company experienced an increase in stock based compensation of $1,234,074 to $1,849,998 versus stock based compensation expense of $615,924 during fiscal 2016 and the Company recorded a gain on de-recognition of financial liabilities in the amount of $893,990. Also in the current period the Company recorded a loss on marketable securities of $Nil versus $120,125 for the same twelve month period in fiscal 2016. During fiscal 2017, the Company recorded an impairment loss of $81,483 on a secured note receivable compared to $Nil in the prior fiscal period in 2016.

Net loss and comprehensive loss for the year ended August 31, 2016, was $13,421,062 compared to $1,552,029 for the year ended August 31, 2015. The increase in net loss during 2016, was primarily related to an increase in loss on settlement of debt of $12,489,249 compared to $Nil in fiscal 2015 and an increase in stock based compensation of $503,231 to $615,924 versus stock based compensation expense of $112,693 during fiscal 2015. The Company also experienced increases in research, content development and technology support of $160,519 compared to $Nil in 2015 and increases in hosting, advertising and technology services of $45,272 compared to $Nil in fiscal 2015.

Earnings (Loss) per Share, Basic

Continuing Operations

Basic loss per share from continuing operations for the year ended August 31, 2017, was $0.788 compared to basic loss per share of $6.516 for the same twelve month period in 2016.

Basic loss per share from continuing operations for the year ended August 31, 2016, was $6.516 compared to basic income per share of $12.006 for the same twelve month period in 2015.

Discontinued Operations

Basic loss per share from discontinued operations for the year ended August 31, 2017 was $Nil compared to a basic income of $0.001 for fiscal 2016.

Basic loss per share from discontinued operations for the year ended August 31, 2016 was $0.001 compared to basic loss per share of $17.194 for the same twelve month period in 2015.

Total Loss per Share, Basic

Total basic loss per share for the year ended August 31, 2017, was $0.788 compared to total basic loss per share of $6.515 for the same twelve month period in 2016.

Total basic loss per share for the year ended August 31, 2016, was $6.515 compared to total basic loss per share of $5.188 for the same twelve month period in 2015.

Earnings (Loss) per Share, Diluted

Continuing Operations

Diluted loss per share from continuing operations for the year ended August 31, 2017, was $0.788 compared to diluted loss per share of $6.516 for the same twelve month period in 2016.

Diluted loss per share from continuing operations for the year ended August 31, 2016, was $6.516 compared to diluted income per share of $8.855 for the same twelve month period in 2015.

Discontinued Operations

Diluted loss per share from discontinued operations for the year ended August 31, 2017 was $Nil compared to diluted income per share of $0.001 for the same twelve month period in 2016.

Diluted income per share from discontinued operations for the year ended August 31, 2016 was $0.001 compared to diluted loss per share of $17.194 for the same twelve month period in 2015.

Total Loss per Share, Diluted

Total diluted loss per share for the year ended August 31, 2017, was $0.788 compared to total diluted loss per share of $6.515 for the same twelve month period in 2016.

Total diluted loss per share for the year ended August 31, 2016, was $6.515 compared to total diluted loss per share of $8.339 for the same twelve month period in 2015.

SUMMARY OF QUARTERLY RESULTS-CONTINUING OPERATIONS

The following tables reflect the summary of quarterly results from continuing operations for the periods set out.

	2017	**2017**	**2017**	**2016**
For the quarter ending	**August 31**	**May 31**	**February 28**	**November 30**
Net loss for the period	$(1,199,755)	$(198,521)	$(81,215)	$(618,247)
Loss per share, basic and diluted	$(0.447)	$(0.08)	$(0.03)	$(0.23)

Fiscal 2017

During the quarter ended August 31, 2017, the Company recorded stock based compensation expense of $1,698,901 a gain on de-recognition of financial liabilities of $893,990 and anti-dilution fees of $178,650. During ended May 31, 2017, the Company incurred general and administrative expenditures of $119,830. During the quarter ended February 28, 2017, the Company recorded research, content development and technology support costs of $63,641. During the quarter ended November 30, 2016, the Company recorded anti-dilution fees of $104,727.

For the quarter ending	2016 August 31	2016 May 31	2016 February 29	2015 November 30
Net loss for the period	$(153,579)	$(855,102)	$(525,664)	$(12,307,111)
Loss per share, basic and diluted	$(0.06)	$(0.33)	($0.22)	$(18.43)

Fiscal 2016

During the quarter ended August 31, 2016, the Company reversed a previously recorded gain on de-recognition financial liabilities for prior obligations of Dyami Energy in the amount of $893,990. During the first quarter 2016, the Company recorded a loss on settlement of debt in the amount of $12,005,804 and research, content development and technology support costs of $68,819. During the quarter ended May 31, 2016, the Company recorded stock based compensation expense of $615,924. For the three months ended February 29, 2016, the Company recorded a gain on settlement of debt in the amount of $483,431.

FOURTH QUARTER RESULTS-CONTINUING OPERATIONS

For the quarter ending	August 31, 2017	August 31, 2016
Revenue	$16,280	$-
Net Income (loss) for the period	$(1,199,755)	$153,579
Income (loss) per share, basic and diluted	($0.19)	$(0.06

Advertising Revenue

For the three months ended August 31, 2017, the Company recorded advertising revenue of $16,280 compared to $Nil for the same three month period ended in fiscal 2016. The increase in advertising revenue for the current period is a result of the development of the Company's online management and advertising platform (http://doubletap.co) during fiscal 2017.

Research, Content Development and Technology Support

For the three months ended August 31, 2017, the Company incurred research, content development and technology support costs of $20,378 compared to $68,819 in the prior comparable period in 2016. The decrease in research, content development and technology support costs during fiscal 2017 is related to the completion of the platform in the prior quarters.

Hosting, Advertising and Technology Services

For the three months August 31, 2017, the Company incurred hosting and technology costs of $20,144 compared to $5,666 for the year ended August 31, 2016. The increase in research, content development and technology support costs during fiscal 2017 is related to the maintenance of the Company's online management and advertising platform.

General and Administrative	For the Three Months Ended August 31,	
	2017	2016
Professional fees	$51,848	$71,488
Head office costs	10,500	10,500
Management fees	15,000	15,000
Transfer and registrar costs	3,833	8,296
Shareholders information	12,457	1,815
Office and general costs	1,252	4,626
Directors fees	900	600
Consulting fees and expenses	15,000	15,000
Travel	-	13,920
Rent	-	3,776
Insurance	-	4,710
Total	$110,790	$149,731

General and administrative expenses for the three months ended August 31, 2017, decreased to $110,790 compared to $149,731 for the year ended August 31, 2016. For the three months ended August 31, 2017 shareholders information costs increased by $10,642 to $12,457 compared to $1,815 for the three months ended August 31, 2016. The fiscal 2017 increase was primarily attributed to the costs associated with the consolidation of the Company's common shares and the addition of fees related to the Company's listing on the Canadian Securities Exchange. For the three months ended August 31, 2017, professional fees decreased by $19,640 to $51,848 compared to $71,848 for the same three month ended in 2016. In addition, during fiscal 2017, travel costs decreased by $13,920, insurance costs decreased by $4,710 and rent decreased by $3,776. The reduction in costs were a result of the settlement of the DWF Transaction.

Loss on Foreign Exchange
For the three months ended August 31, 2017, the Company recorded a gain on foreign exchange of $321 versus a loss on foreign exchange of $112 for the same three month period in 2016.These foreign exchange gains and losses are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company.

Stock Based Compensation
Employees
For the three months ended August 31, 2017, the Company recorded stock based compensation of $1,478,314 compared to $Nil for the same three month period in 2016. During the three month period in fiscal 2017, the Company revised the fair value of stock options issued to directors and officers on September 9, 2016 and November 1, 2016.

Non Employees
For the three months ended August 31, 2017, the Company recorded stock based compensation for non-employees of $220,588 compared to $Nil for the same three month period in 2016. During the three month period in fiscal 2017, the Company revised the fair value of stock options issued to a consultant on September 9, 2016

Anti-Dilution Fees
For the three months ended August 31, 2017, the Company recorded anti-dilution fees of $178,650 compared to $Nil for the three months ended August 31, 2016.

On August 31, 2016, the Company completed private placements for gross proceeds of $260,000 and issued 23,636 units in the capital of the Company at a purchase price of $11.00 per unit. The subscription agreements contain an anti-dilution provision such that if within 18 months of August 31, 2016, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than $11.00 (the "Adjusted Price") the Holder shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price.

Gain on de-recognition of financial liabilities
During the three months ended August 31, 2017, the Company recorded a gain on de-recognition of financial liabilities in the amount of $893,990 relating to the expiry of prior obligations of Dyami Energy.

During the first quarter 2016, the Company recorded a gain on de-recognition of financial liabilities in the amount of $893,990 relating to the prior obligations of Dyami Energy after its dissolution in the statement of operations. For the three months ended August 31, 2016, the Company reversed the gain on de-recognition and restated the prior obligations of the $893,990 compared to $Nil for the same three month period in 2015. The obligations of $893,990 were included in trade and other payables at August 31, 2016.

Impairment loss on Secured Note Receivable
During the three months ended August 31, 2017, the Company recorded an impairment loss of $81,483 on a secured note receivable compared to $Nil in the same three month prior period in 2016 and 2015.

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC ("Catch Star"). On October 12, 2016, the Company advanced US$65,000 ($81,483 at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the "Secured Note"). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount

Net Income (Loss) from Continuing Operations
Net loss from continuing operations for the three months ended August 31, 2017 was $1,199,755 versus a net income from continuing operations of $153,579 for the three months ended August 31, 2016. During the three months ended August 31, 2017, the Company recorded a gain on de-recognition of financial liabilities in the amount of $893,990 which gain was partially offset by an increase in stock based compensation expense of $1,698,901 compared to $Nil in the same three month prior period, anti-dilution fees of $178,650 compared to $Nil for the three months ended August 31, 2016 and an impairment loss of $81,483 on a secured note receivable compared to $Nil in the prior period in 2016.

Net Income from Discontinued Operations
For the three months ended August 31, 2017, net income from discontinued operations was $Nil versus net income from discontinued operations of $2,118 for the three months ended August 31, 2016.

Net Income (Loss) and Comprehensive Income (Loss)
Net loss for the three months ended August 31, 2017 was 1,199,755 compared to net income of $155,697 for three months ended August 31, 2016.During the three months ended August 31, 2017, the Company recorded a gain on de-recognition of financial liabilities in the amount of $893,990 which gain was partially offset by anti-dilution fees of $178,650 compared to $Nil for the three months ended August 31, 2016.

Earning (Loss) per Share, Basic and diluted
Basic and diluted loss per share from continuing operations for the three months ended August 31, 2017, was $0.447 compared to a basic and diluted loss per share from continuing operations of $0.06 for the same three month period in 2016.

CAPITAL EXPENDITURES

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC ("Catch Star Studios"). On October 12, 2016, the Company advanced US$65,000 ($81,483 at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the "Secured Note"). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. On February 1, 2017, the Company issued a letter of demand for the repayment in full of the Secured Note from Catch Star. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount

The Company expects that capital expenditures will increase in future reporting periods as the Company seeks further opportunities and ventures of merit in an effort to increase shareholder value.

FINANCING ACTIVITIES

During the year ended August 31, 2017, the Company completed a private placement for gross proceeds of $50,000 and issued 7,692 units in the capital of the Company at a price of $6.50 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until November 30, 2019.

Effective August 31, 2017, the Company settled shareholder advances of $213,781 and issued 1,187,672 common shares in the capital of the Company at a purchase price of $0.18 per share.

LIQUIDITY AND CAPITAL RESOURCES

Cash as of August 31, 2017, was $1,040 (August 31, 2016: $449,983).

For the year ended August 31, 2017, the primary use of funds was related to general administrative expenses and the US $65,000 advance to Catch Star. The Company's working capital deficiency at August 31, 2017 was $487,776 (August 31, 2016 working capital deficiency: $690,649).

Our current assets of $42,047 as at August 31, 2017 ($482,582 as of August 31, 2016) include the following items: cash $1,040 ($449,983 as of August 31, 2016); other receivables $41,007 ($14,800 as of August 31, 2016); and prepaid expenses and deposits $Nil ($17,799 as of August 31, 2016). Our current liabilities of $529,823 as of August 31, 2017 ($1,173,231 as of August 31, 2016) include the following items: trade and other $529,823 ($1,173,231 as of August 31, 2016).

Management of the Company recognizes that cash flow from operations is not sufficient meet its working capital requirements or fund additional opportunities or ventures of merit. The Company has liquidity risk which necessitates the Company to obtain debt financing or raise additional equity. There is no assurance the Company will be able to obtain the necessary financing in a timely manner.

The Company's past primary source of liquidity and capital resources has been proceeds from the issuance of share capital, shareholders' loans and cash flow from oil and gas operations. If the Company issued additional common shares from treasury it would cause the current shareholders of the Company dilution.

Outlook and Capital Requirements

We anticipate further expenditures to expand our current business plan. Amounts expended on future opportunities and ventures of merit is dependent on the nature of the opportunities evaluated by us. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by us, or by other means. Our long-term profitability will depend upon its ability to successfully implement its business plan.

SECURED NOTE PAYABLE, SHAREHOLDERS' LOANS, NOTES PAYABLE AND DEBT CONVERSION

Secured Note Payable

As at August 31, 2014, the Company had a secured convertible promissory note payable to Benchmark Enterprises LLC. ("Benchmark") with a face value of $1,322,347 (US$1,216,175) with an interest rate of 10% (the "Note"). The Note was being accreted up to its face value over the life of Note, based on an effective interest rate. For the year ended August 31, 2015, the Company recorded interest on the Note of $154,179. The Note was due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Company of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default. The Note was secured by all of the assets of the Company and Zavala Inc. Benchmark had the option at any time while the Note was outstanding to convert any unpaid principal and accrued interest into conversion units.

In accordance with the terms of the Note and the General Security Agreement (the "Loan Agreements") the Company had granted and conveyed to Benchmark a first priority security interest in the Company and Zavala Inc., prior and superior to the rights of all third parties existing on or arising after the date of such Loan Agreements, subject to the Permitted Liens.

At August 31, 2015, the Company was unable to pay the Note due in the amount $1,608,149 plus interest of $154,179, totaling $1,762,328, which constituted an event of default pursuant to the terms of the Loan Agreements. Benchmark, having made demand for payment of all amounts owed to it under the Note, gave notice to the Company that it intended to exercise its security on the Company's assets. In an effort to avoid further costs, the Company and Benchmark entered into a Settlement and Exercise of Security Agreement effective August 31, 2015, with the following terms:

1. Effective August 31, 2015, the Company assigns and conveys to Benchmark all of its rights, title and interest in and to Zavala Inc., including but not limited to all of the issued and outstanding common shares of Zavala Inc.; and
2. Issuance of 1,000,000 shares of common stock of the Company.

As a result the Company's extinguishment of the Note, the Company's investment in Zavala Inc. had been derecognized from the Company's Consolidated Financial Statements as at August 31, 2015.The fair value of the common shares was determined to be equal to the fair value of the secured note settled The following table presents the effect of the extinguishment of the Note on the Consolidated Financial Statements of the Company:

	August 31, 2015
Secured note payable settled	$1,608,149
Interest payable settled	154,179
Net assets and liabilities of Zavala Inc. transferred (Note 16 a)	(836,717)
Common shares issued (Note 13 b (b))	(925,611)
	$-

Shareholder Loans

As at August 31, 2017 and 2016 the Company had shareholders' loans payable of $Nil.

Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 147,571 units in the capital of the Company. The terms of the August 30, 2014, conversion agreements contained an anti-dilution provision such that if within 18 months of the effective date, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than $8.00 (the "Adjusted Price") the Holder herein shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price. Effective November 18, 2015, the Company issued a total of 103,299 Units in the capital of the Company pursuant to the Adjusted Price. The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock. The fair value of the units of $6,896,800 was allocated to the common shares in the amount of $5,034,157 and warrants in the amount of $1,862,643 based on their relative fair values and $6,896,800 was recognized as a loss on settlement of debt in the statement of operations.

Significant assumptions utilized in the Binomial Lattice process for the warrant component of the conversion were as follows:

	November 18, 2015
Market value on valuation date	$6.60
Contractual exercise rate	$10.00
Term	1.79 Years
Expected market volatility	183.30%
Risk free rate using zero coupon US Treasury Security rate	0.90%

Loans Payable
As at August 31, 2017 and 2016 the Company had loans payable of $Nil. For the year ended August 31, 2016, the Company recorded interest on the loans payable of $4,945. Effective November 18, 2015, the Company converted loans and interest due in the aggregate amount of $899,660 through the issuance of 680,068 common shares in the capital of the Company. The fair value of the common shares of $4,540,474 was allocated to common shares and $3,640,814 was recorded as loss on settlement of debt in the consolidated statement of operations.

On February 29, 2016, the Company entered into asset purchase and debt settlement agreement and converted loans and interest in the aggregate amount of $277,473 in exchange for the Company's 0.03% net smelter return royalty on 8 mining claim blocks located in Red Lake, Ontario which were carried on the consolidated statement of financial position at $Nil. Accordingly, the Company recorded a gain on settlement of debt for the full amount.

Debt Conversion
On February 29, 2016, the Company entered into shares for debt conversion agreements and converted debt in the aggregate amount of $451,557 through the issuance of 150,519 units in the capital of the Company. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $3.50 until March 1, 2019. The fair value of the Units of $1,220,709 was allocated to common shares in the amount of $638,295 and warrants in the amount of $582,414 based on their relative fair values and $769,152 was recognized as a loss on extinguishment of debt in the consolidated statement of operations.

Significant assumptions utilized in the Binomial Lattice process for the warrant component of the conversion were as follows:

	February 29, 2016
Market value on valuation date	$8.10
Contractual exercise rate	$3.50
Term (years)	3 Years
Expected market volatility	169.73%
Risk free rate using zero coupon US Treasury Security rate	0.91%

DERIVATIVE LIABILITIES

As at August 31, 2017, the Company had no derivative warrant liabilities. As at August 31, 2016, the Company had 175,000 derivative warrant liabilities outstanding with a fair value of $Nil. As at August 31, 2017, the Company recorded a gain on expiry of derivative warrant liabilities of $Nil (August 31, 2016: $281,210). The Company had warrants issued with a cashless exercise price and warrants issued with an exercise price in US dollars which was different from the functional currency of the Company and accordingly the warrants were treated as a financial liabilities. The fair value movement during the periods were recognized in the profit or loss. The following table sets out the changes in derivative warrant liabilities during the respective periods:

	Number of Warrants	Fair Value Assigned $	Average Exercise Price $
As at August 31, 2014	7,439	1,325,307	US 370.40
Warrants expired	(6,134)	(1,258,206)	US (460.66)
Change in fair value estimates	-	214,109	-
As at August 31, 2015	1,305	281,210	US 466.66
Warrants expired	(1,305)	(281,210)	-
Warrants issued	175,000	-	-
As at August 31, 2016	175,000	-	15.00
Warrants expired	(175,000)	-	-
As at August 31, 2017	-	-	-

On September 25, 2015, 1,305 warrants expired and the fair value measured using the Black-Scholes option pricing model of $281,210 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On June 22, 2016, the Company entered into a consulting agreement and issued 175,000 common share purchase warrants exercisable at $15.00 with a cashless exercise option. At August 31, 2016, the Company determined that it would not continue with the agreement and it was suspended and on January 15, 2017, the agreement was mutually terminated no warrants were exercised.

As at August 31, 2017, no derivative warrants liabilities were outstanding. The following tables set out the number of derivative warrant liabilities outstanding as at August 31, 2016 and 2015, respectively

Number of Warrants 2016	Exercise Price CDN ($)	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value ($)
175,000	1.50	January 15, 2017	0.13	-

Number of Warrants 2015	Exercise Price US ($)	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value ($)
1,125	500.00	September 25, 2015	0.07	220,640
180	250.00	September 25, 2015	0.07	60,570
1,305			**0.07**	**281,210**

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SEGMENTED INFORMATION

The Company's reportable and geographical segments are Canada and previously the United States. The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Effective August 31, 2015, the Company discontinued its reportable segment in the United States. The following tables show information regarding the Company's reportable segments.

For the year ended August 31, 2017	**Canada $**	**United States $**	**Total $**
Revenue, continuing operations	20,788	-	20,788
Net loss, continuing operations	(2,097,738)	-	(2,097,738)
Net loss	(2,097,738)	-	(2,097,738)

For the year ended August 31, 2016	Canada $	United States $	Total $
Net loss, continuing operations	(13,534,298)	-	(13,534,298)
Net income (loss), discontinued operations	8,731	(6,020)	2,711
Net loss	(13,525,567)	(6,020)	(13,531,587)

For the year ended August 31, 2015	Canada $	United States $	Total $
Revenue, continuing operations	53,055	-	53,055
Net income, continuing operations	3,325,649	-	3,325,649
Net loss, discontinued operations	-	(4,762,461)	(4,762,461)
Net loss	3,325,649	(4,762,461)	(1,436,812)

As at August 31, 2017	**Canada $**	**United States $**	**Total $**
Total Assets	42,047	-	42,047
Total Liabilities	(529,823)	-	(529,823)

As at August 31, 2016	Canada $	United States $	Total $
Total Assets	482,582	-	482,582
Total Liabilities	(1,173,231)	-	(1,173,231)

RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the amount agreed to by the related parties.

Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the periods set out were as follows:

	August 31, 2017	August 31, 2016	August 31, 2015
Short term employee benefits (1) (2)	$129,981	$60,000	$150,000
Stock based compensation (3)	1,614,605	615,924	84,520
	$1,734,586	$675,924	$234,520

The following balances owing to the President and Chief Financial Officer of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	August 31, 2017	August 31, 2016
Short term employee benefits payable (1)(2)	$101,500	$40,000
	$101,500	$40,000

(1) The Company accrued management fees to the Chief Financial Officer of the Company at a rate of $5,000 per month during fiscal 2017 and 2016 ($12,500 per month during fiscal 2015).

(2) On September 9, 2016, the Company entered into an employment agreement with the President of the Company under which the Company agreed to pay to the President, a base salary of $90,000 and grant one hundred thousand (100,000) common share purchase options (Note 12 e). Effective May 21, 2017, the Company and the President agreed to amend the terms of the employment agreement, by reducing the President's base salary to $10.00 annually, allowing the President to contract his services to Torinit contemporaneous with his continued employment with the Company and providing a top up provision of up to $1,500 in a month from the Company if the gross compensation earned by the President from Torinit during June, July and August 2017 (the "Period"), reduces the overall compensation earned by the President below $7,500 in any such month during the Period.

(3) On November 12, 2014, the Company granted options to purchase 7,500 common shares to three directors. On April 1, 2016, the Company granted options to purchase 30,000 common shares to a director. On September 9, 2016 and November 1, 2016, the Company granted options to purchase 130,000 and 50,000 common shares to officers and directors.

On September 1, 2016, the Company entered into an agreement for a period of 12 months with Torinit Technologies Inc., ("Torinit") to provide dedicated resource augmentation to DoubleTap in an effort to optimize user experience while navigating through the http://DoubleTap.co website and drive traffic growth by engaging users across all demographics (the "Torinit Services"). As consideration for the Torinit Services, the Company agreed to compensate Torinit the sum of $8,000 per month based on 320 hours per month for a 12 month period. Dikshant Batra, a director of the Company, is also the President, a director and major shareholder of Torinit. As at August 31, 2017, included in trade and other payables is $23,961 due to Torinit.

As at August 31, 2017, the amount of directors' fees included in trade and other payables was $10,200 (August 31, 2016: $7,100). On February 29, 2016, Mr. Klyman, a former director of the Company agreed to convert outstanding directors' fees due to him of $7,400 into 2,467 units of the Company.

As at August 31, 2017 and 2016, the Company had a promissory note payable to the former President of the Company of $Nil. For the year ended August 31, 2016, the Company recorded interest on the promissory note of $496 (August 31, 2015: $838). On February 26, 2016, the former President assigned the promissory note of $10,000 and all accumulated interest due in the amount of $113,844 to an arms-length third party. The note was due on demand with interest at a rate of 10% per annum. Effective November 18, 2015, the Company issued to the former President 114,009 Units in the capital of the Company pursuant to the anti-dilution provision contained in the August 30, 2014, debt conversion agreements. On February 29, 2016, the former President converted $38,239 in outstanding debt into 12,746 units in the capital of the Company.

Effective November 18, 2015, the Company entered into a shares for debt conversion agreement and converted a note and interest payable to Core Energy Enterprises Inc. ("Core") in the aggregate amount of $362,793 through the issuance of 274,243 common shares in the capital of the Company. The fair value of the common shares $1,830,983 was recorded as an increase to common shares and $1,468,190 was recorded as a loss on settlement of debt in the statement of operations. The CFO of the Company is a major shareholder, officer and a director of Core.

NATURE OF BUSINESS AND GOING CONCERN

Nature of Business

Novicius Corp., (formerly: Intelligent Content Enterprises Inc.) was amalgamated under the Business Corporations Act (*Ontario)* on November 30, 2009 ("Novicius" or the "Company"). The Company filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. The Company filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. Through the Company's wholly owned Ontario subsidiary, DoubleTap Daily Inc., (formerly: Digital Widget Factory Inc.) the Company has developed an online content management and advertising platform that powers user and advertising engagement programs in real-time to desktop, mobile and portable devices (http://doubletap.co).

The Company's registered office is located at 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1. The Company's common shares trade on the OTCQB under the symbol NVSIF and on the Canadian Securities Exchange under the symbol NVS.

The consolidated financial statements include the accounts of Novicius, the legal parent, together with its wholly-owned subsidiaries, Ice Studio Productions Inc. incorporated in the Province of Ontario on June 16, 2016 ("ICE Studio") and DoubleTap Daily Inc. incorporated in the Province of Ontario on February 29, 2016, ("DoubleTap").

Effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta Ltd., a company operating in the province of Alberta ("1354166 Alberta"). The Company's former subsidiaries, Eagleford Energy, Zavala Inc., a Nevada company ("Zavala Inc."), and its' wholly owned subsidiary EEZ Operating Inc., a Texas company ("EEZ Operating") were disposed of effective August 31, 2015.

Going Concern

These consolidated financial statements (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of developing its advertising platform and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of development, content creation and marketing of its platform.

Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, or other means of funding its operations, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

The Company has accumulated significant losses and negative cash flows from operations in recent years which raise doubt as to the validity of the going concern assumption. As at August 31, 2017, the Company has working capital deficiency of $487,776 (2016: working capital deficiency $690,649) and an accumulated deficit of $31,684,984, (2016: $29,587,246). These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. The Consolidated Financial Statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying Consolidated Financial Statements.

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 interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"). The policies applied in these Consolidated Financial Statements are based on IFRS issued and outstanding as of January 1, 2017. The Board of Directors approved the Consolidated Financial Statements on December 28, 2017.

Basis of Measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

Functional and Presentation Currency

The functional and presentation currency of the parent Novicius and its wholly owned subsidiaries ICE Studio and DoubleTap is Canadian dollars.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of the subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the Consolidated Financial Statements. The Consolidated Financial Statements include the accounts of the Company, the legal parent, together with its wholly-owned subsidiaries, Ice Studio and DoubleTap.

Revenue Recognition
Revenue is recognized when there is persuasive evidence that an arrangement exists which is when a contract or sales order is signed by both parties, delivery has occurred, ownership has been transferred to the customer, price is fixed or determinable and ultimate collection is reasonably assured at the time of delivery.

Revenue from advertising revenue were recognized when services were provided.

Foreign Currency
Items included in the Consolidated Financial Statements of each of the Company's wholly owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in profit or loss.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the year- end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the foreign currency translation reserve under other comprehensive income.

Significant Accounting Estimates and Judgements
The preparation of the Consolidated Financial Statements in accordance with IFRS requires that management make estimates and assumptions and use judgment regarding the measured amounts of assets, liabilities and contingent liabilities at the date of the Consolidated Financial Statements and reported amounts of revenue and expenses during the reporting period. Such estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Consolidated Financial Statements are:

Going Concern
The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is an uncertainty regarding the Corporation's ability to continue as a going concern.

Fair value of financial instruments
The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Fair Value of Derivative Liabilities
The Company is exposed to risks related to changes in its share prices, foreign exchange rates, interest rate and volatility rates used to determine the estimated fair value of its derivative liabilities. In the determination of the fair value of these instruments, the Company utilizes certain independent values and, when not available, internal financial models which are based primarily on observable market data. Management's judgment is required in the development of these models. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, discount rates and dividend yield.

Settlement of Debt with Equity Instruments
Equity instruments issued to a creditor to extinguish a financial liability are measured at the fair value of the equity instruments at the date the financial liability is extinguished. The Company estimates the fair value of warrants using the Binomial Lattice pricing model and further assumptions including the expected life, volatility, discount rates and dividend yield. The fair value of the units comprising shares and warrants issued in connection with the extinguishment of a financial liability are then prorated to the total market value of the common shares.

Fair Value of Stock Based Compensation and Warrants
In determining the fair value of share based payments the calculated amounts are not based on historical cost, but is derived based on assumptions (such as the expected volatility of the price of the underlying security, expected hold period before exercise, dividend yield and the risk-free rate of return) input into a pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options and compensation warrants before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period; dividend yield; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or compensation warrants and they are not transferable. Similar calculations are made in estimating the fair value of the warrant component of an equity unit. The assumptions used in these calculations are inherently uncertain. Changes in these assumptions could materially affect the related fair value estimates.

Income Tax

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax‑related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made

Earnings (Loss) per Share

The basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The diluted earnings per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation.

Discontinued Operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Effective August 31, 2015, the Company assigned all of its right, title and interest in Zavala Inc., as partial settlement of a secured convertible note payable and effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta and accordingly their operations have been treated as discontinued operations.

Financial Instruments

Classification and Measurement

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit and loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "other financial liability" as defined by IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at "fair value through profit or loss" and are measured at fair value with changes in fair value recognized in the statement of operations. Transaction costs are expensed when incurred. The Company has classified cash and derivative liabilities as "fair value through profit and loss".

Financial instruments classified as "loans and receivables", "held-to-maturity", or "financial liabilities" are measured at amortized cost using the effective interest rate method of amortized cost. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity.

"Other financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through profit or loss". The Company has classified trade and other payables as "other financial liabilities".

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. The Company has classified its marketable securities as "available for sale".

Cash

Cash in the statement of financial position comprise cash held in banking institutions.

Marketable Securities

At each financial reporting period, the Company estimates the fair value of investments which are available-for-sale, which could be based on quoted closing bid ask spread prices or other measures for unquoted instruments. Adjustments to the fair value of the marketable securities at the financial position date are recorded to other comprehensive income until re-classified to the statement of operations.

Derivative Financial Instruments

The Company's derivative instruments consist of derivative liabilities in relation to its i) anti-dilution units issued; and ii) its previous secured convertible note payable; and iii) share purchase warrants with a US Dollar exercise price.

i) The Company has issued Units that contain an anti-dilution provision such that if within 18 months of the issue date, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than issue price (the "Adjusted Price") the Holder shall be entitled to receive (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under the agreement will equal the number of Units that the Holder would otherwise be entitled to receive had the transaction occurred at the Adjusted Price. The anti-dilution provision is considered a derivative and requires fair value measurement at each reporting period. During the reporting periods August 31, 2016 and 2015 the Company determined that based on the market price being greater than the issue price per share, no additional common shares were required to be fair valued and recorded as a derivative liability.

ii) The Company had a secured convertible note payable that had a conversion feature which could convert any unpaid principal and accrued interest into conversion units. A conversion unit was comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The price of the conversion unit was the lesser of a price equal to the 30-day rolling weighted average price of the Company's common shares as of the date of conversion, less 20% or US$0.80 per share the ("Conversion Unit"). The terms and features of the conversion met the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contained a variable exercise/conversion price, the Conversion Unit met the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". As a result, the Conversion Unit was a derivative liability that required fair value measurement each reporting period. The Company had selected the Binomial Lattice model to fair value the warrant component of the conversion unit and the Monte Carlo Simulations process for the common share component of the Conversion Unit.

iii) In prior years, the Company had issued share purchase warrants with an exercise price in US dollars, rather than Canadian dollars (the functional currency of the Company). Such share purchase warrants are derivative instruments and the Company was required to re-measure the fair value at each reporting date. The fair value of these share purchase warrants are re-measured at each reporting date using the Black-Scholes option pricing model with changes recorded to the statement of operations.

Impairment

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. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of operations. 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 the reversal is recognized in profit or loss.

Income tax

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any 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 earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Share-Based Compensation

The Company has a share-based compensation plan that grants stock options to employees and non-employees. This plan is an equity settled plan. The Company uses the fair value method for accounting for share-based awards to employees and non-employees.

The fair value determined at the grant date of the equity-settled share-based payments is expensed 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 contributed surplus.

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 Company obtains the goods or the counterparty renders the service.

Warrants

When the Company issues units comprising common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of the common shares is estimated and the fair value of the warrants issued is estimated using an option pricing model. The fair value is then prorated to the total of the net proceeds received on issuance of the common shares and the warrants.

RECENT ACCOUNTING PRONOUNCEMENTS AND RECENT ADOPTED ACCOUNTING STANDARDS

Recent Issued Accounting Pronouncements

The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

(i) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective September 1, 2018, and is currently assessing the impact of this new standard on the Consolidated Financial Statements.

(ii) In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments – Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the Consolidated Financial Statements.

(iii) On January 13, 2016, the IASB issued IFRS 16 Leases ("IFRS 16") which will replace IAS 17, Leases. IFRS 16 will bring leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is assessing the impact of this new standard on the Consolidated Financial Statements.

(iv) Amendments to IFRS 2 - Classification and measurement of Share-based payment transactions ("IFRS 2"):
On June 20, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively, retrospectively, or early application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its Consolidated Financial Statements for the annual period beginning on September 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRIC 22 – Foreign currency transactions and advance consideration: IFRIC was issued in December 2016 to provide guidance on accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The new interpretation is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the interpretation on its consolidated financial statements.

SHARE CAPITAL AND RESERVES

The Company filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. The Company filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. The consolidated financial statements have been adjusted to reflect these consolidations accordingly.

a) Share Capital

Authorized:
Unlimited number of common shares at no par value
Unlimited number of preferred shares issuable in series

Common Shares Issued:
The following table sets out the changes in common shares during the respective periods:

	Number	**Amount $**
Balance August 31, 2015	377,295	9,997,792
Common shares issued as debt extinguishment (Note b (a))	954,311	6,371,457
Common shares issued as private placement (Note b (b))	50,000	50,000
Common shares issued as anti-dilution provision (Note b (c))	1,032,998	5,034,157
Common shares issued as private placement (Note b (d))	10,000	9,044
Common shares issued as debt extinguishment (Note b (e))	150,519	638,295
Common shares issued on exercise of warrants (Note b (f))	51,868	986,667
Common shares issued as private placement (Note b (g))	23,636	133,271
Balance August 31, 2016	2,650,627	23,220,683
Common shares issued as private placement (Note b (h))	7,692	30,233
Common shares issued as settlement of shareholder advances (Note b (i))	1,187,672	213,781
Common shares issued as anti-dilution provision (Note b (j))	1,420,809	184,705
Common shares issued as anti-dilution provision (Note b (k))	16,364	2,127
Balance August 31, 2017	**5,283,164**	**23,651,529**

Preferred Shares Issued:
As at August 31, 2017 and August 31, 2016, there were no preferred shares issued.

b) Share Purchase Warrants

The following table sets out the changes in warrants during the respective periods:

	August 31, 2017		August 31, 2016	
Warrants	**Number of Warrants**	**Weighted Average Price**	Number of Warrants	Weighted Average Price
Outstanding, beginning of year	722,572	-	73,786	-
Warrants issued (Note b (c))	-	-	516,499	-
Warrants issued (Note b (d))	-	-	10,000	-
Warrants issued (Note b (e))	-	-	150,519	-
Warrants exercised (Note b (f))	-	-	(51,868)	-
Warrants issued (Note b (g))	-	-	23,636	-
Warrants issued (Note b (h))	7,692	-	-	-
Warrants issued (Note b (k))	16,364	-	-	-
Warrants expired (Note b (l))	(538,417)	-	-	-
Balance, end of year	**208,211**	**$5.27**	722,572	$8.60

(a) Effective November 18, 2015, the Company entered into shares for debt conversion agreements and converted loans and interest due in the aggregate amount of $1,262,453 through the issuance of 954,311 common shares in the capital of the Company. The fair value of $6,371,457 was recorded as an increase to common shares and $5,109,004 was recorded as a loss on settlement of debt in the consolidated statement of operations.

(b) Effective November 18, 2015, the Company completed a private placement for gross proceeds of $50,000 and issued 50,000 common shares in the capital of the Company at a price of $1.00 per share.

(c) Effective November 18, 2015, the Company issued 1,032,998 Units in the capital of the Company pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements. Each unit was comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until August 30, 2017. The fair value of the units of $6,896,800 was allocated to the common shares in the amount of $5,034,157 and warrants in the amount of $1,862,643 based on their relative fair values and $6,896,800 was recognized as a loss on settlement of debt in the consolidated statement of operations.

(d) On February 29, 2016, the Company completed a private placement for gross proceeds of $30,000 and issued 10,000 units in the capital of the Company at a purchase price of $3.00 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $3.50 until March 1, 2019. The fair value of the units of $30,000 was allocated to common shares $9,044 and the amount allocated to warrants component using a Binomial Lattice model was $20,956.

(e) On February 29, 2016, the Company entered into debt conversion agreements and converted debt in the aggregate amount of $451,557 through the issuance of 150,519 units in the capital of the Company. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $3.50 until March 1, 2019. The fair value of the Units of $1,220,709 was allocated to common shares in the amount of $638,295 and warrants in the amount of $582,414 based on their relative fair values and $769,152 was recognized as a loss on extinguishment of debt in the consolidated statement of operations.

(f) During the year ended August 31, 2016, 51,868 common share purchase warrants were exercised at $10.00 for proceeds of $518,683. The amount allocated to warrants using a Binomial Lattice model was $467,984.

(g) On August 31, 2016, the Company completed private placements for gross proceeds of $260,000 and issued 23,636 units in the capital of the Company at a purchase price of $11.00 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $12.50 until August 31, 2019. The Subscription agreements contain an anti-dilution provision such that if within 18 months of August 31, 2016, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than $11.00 (the "Adjusted Price") the Holder shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price. At August 31, 2016, the Company determined that based on the market price of the Company's common shares being greater than the Unit issue price per share, no additional common shares were required to be fair valued and recorded as a derivative liability.

The fair value of the units of $260,000 was allocated to common shares in the amount of $133,271 and the amount allocated to warrants using a Binomial Lattice model was $126,729. The assumptions utilized in the Binomial Lattice process for the common share purchase warrants were as follows:

	August 31, 2016
Market value on valuation date	$13.10
Contractual exercise rate	$12.50
Term	3 Years
Expected market volatility	152.78%
Risk free rate using zero coupon US Treasury Security rate	0.92%

(h) On November 30, 2016, the Company completed private placements for gross proceeds of $50,000 and issued 7,692 units in the capital of the Company at a purchase price of $6.50 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until November 30, 2019. The fair value of the units ($50,000) was allocated to common shares $30,233 and the amount allocated to warrants component using a Binomial Lattice model was $19,767.

(i) Effective August 31, 2017, the Company settled shareholder advances of $213,781 and issued 1,187,672 common shares in the capital of the Company at a price of $0.18 per share.

(j) Pursuant to the August 31, 2017, settlement of shareholder advances of $213,781 (Note b (i), effective August 31, 2017, the Company issued 1,420,809 common shares in the capital of the Company pursuant to the anti-dilution provision of the August 31, 2016, private placement agreements. The fair value of $184,705 was calculated on the previous day's closing price of the Company's common shares and allocated to common shares and anti-dilution fees in the consolidated statement of operations.

(k) Pursuant to the November 30, 2016, private placement of $50,000 (Note b (h), effective August 31, 2017, the Company issued 16,364 Units in the capital of the Company pursuant to the anti-dilution provision of the August 31, 2016, private placement agreements. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until November 30, 2019. The fair value of the units of $2,127 was allocated to common shares and anti-dilution fees in the consolidated statement of operations. No value was allocated to warrants based on the Binomial Lattice model.

(l) On August 31, 2017, 538,417 common share purchase warrants exercisable at $10.00 expired. The amount allocated to warrants based on the Binomial Lattice model was $2,195,738 with a corresponding increase to contributed surplus.

The following table summarizes the outstanding warrants as at August 31, 2017 and August 31, 2016, respectively:

Number of Warrants 2017	**Exercise Price**	**Expiry Date**	**Weighted Average Remaining Life (Years)**	**Warrant Value ($)**
160,519	$3.50	March 1, 2019	1.50	603,370
23,636	$12.50	August 31, 2019	2.00	126,729
24,056	$10.00	November 30, 2019	2.25	19,767
208,211			**1.64**	**749,866**

Number of Warrants 2016	**Exercise Price**	**Expiry Date**	**Weighted Average Remaining Life (Years)**	**Warrant Value ($)**
538,417	$10.00	August 30, 2017	1.00	2,195,738
160,519	$3.50	March 1, 2019	2.50	603,370
23,636	$12.50	August 31, 2019	3.00	126,729
722,572			1.40	2,935,837

c) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

		August 31,	
	2017	2016	2015
Weighted Average Shares Outstanding, basic	**2,663,614**	2,077,096	276,989
Weighted Average Shares Outstanding, diluted	**2,663,614**	2,077,096	375,551

At August 31, 2017, there were 155,000 stock options and 208,211 common share purchase warrants that could be exercised, however they are anti-dilutive. The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

d) Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding common shares of the Company on a rolling basis. The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options	**Weighted Average Exercise Price $**
Balance, August 31, 2015	11,000	25.00
Expired	(2,700)	23.00
Granted	30,000	(21.90)
Balance, August 31, 2016	38,300	22.80
Granted	200,000	12.05
Expired	(83,300)	(13.63)
Balance, August 31, 2017	**155,000**	**13.87**

The following table is a summary of the Company's stock options outstanding and exercisable as at August 31, 2017 and August 31, 2016, respectively:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price $
$12.00	5,000	2.20	November 11, 2019	5,000	0.50
$15.00	70,000	4.02	September 8, 2021	35,000	3.79
$13.00	80,000	4.02	September 8, 2021	80,000	4.38
	155,000	**3.95**		**85,000**	**13.87**

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price $
$160.00	600	0.50	February 17, 2017	600	2.51
$160.00	200	0.27	December 8, 2016	200	0.84
$12.00	5,000	3.20	November 11, 2019	5,000	1.57
$12.00	2,500	0.27	December 8, 2016	2,500	0.78
$21.90	30,000	0.27	December 8, 2016	30,000	17.10
	38,300	4.48		38,300	22.80

e) Stock Based Compensation

Employees

On September 9, 2016, the Company granted 30,000 immediately vesting common share purchase options to shares to a director and 30,000 common share purchase options vesting February 6, 2017 to the President. These options are exercisable at $13.00 per share and expire on September 8, 2021. The Company recorded non-cash stock based compensation expense of $706,178.

On September 9, 2016, the Company granted to the President 70,000 common share purchase options exercisable at $15.00 per share and expiring on September 8, 2021. Of these options, 35,000 vest on September 8, 2017 and 35,000 vest on September 8, 2018. The Company recorded non-cash stock based compensation expense of $613,532.

On November 1, 2016, the Company granted 50,000 common share purchase options vesting March 30, 2017 to the former Chief Financial Officer. These options were exercisable at $6.40 per share and expired on April 25, 2017. The Company recorded non-cash stock based compensation expense of $294,895.

Non Employees

On September 9, 2016, the Company granted 20,000 immediately vesting common share purchase options to a consultant of the Company. These options are exercisable at $13.00 per share and expire on September 8, 2021. The Company recorded non-cash stock based compensation expense of $235,393.

The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following assumptions and inputs:

	November 1, 2016	September 9, 2016
Weighted average fair value per option	$5.90	$11.70
Weighted average risk free interest rate	0.68%	0.59%
Forfeiture rate	0%	0%
Weighted average expected volatility	156.70%	152.32%
Expected life (years)	5	5
Dividend yield	Nil	Nil
Stock price on the date of grant	$6.40	$12.90

SUBSEQUENT EVENTS

Subsequent to the year ended August 31, 2017, the Company’s Chief Financial Officer advanced the Company $35,000.

Subsequent to the year ended August 31, 2017, the Company received a non interest bearing due on demand loan of US $20,000.

Subsequent to the year ended August 31, 2017, the Company executed a non-binding Letter of Intent with Grown Rogue Unlimited, LLC, an Oregon limited liability company ("Grown Rogue") according to which it is contemplated that the Company will combine its business operations with Grown Rogue (the "Transaction") resulting in a reverse take-over of the Company by Grown Rogue. The Transaction as currently contemplated will result in Grown Rogue becoming a wholly-owned subsidiary of the Company or otherwise combining its corporate existence with a wholly-owned subsidiary of the Company. No representation is given that the Transaction will close however if closed as contemplated it is expected that: (a) the current holders of the Company securities will own, and have the right to acquire upon exercise of warrants and options, common shares representing 3.6% of fully diluted common shares of the Resulting Issuer; (b) 55,500,000 post consolidated common shares of the Company ("Nov Shares"), or as adjusted such that the owners of Grown Rogue will own at least 75.9% of the Resulting Issuer on the closing of the Transaction, will be issued to the owners of Grown Rogue in exchange for all of the issued and outstanding equity membership interests of Grown Rogue based on a valuation acceptable to the parties of at least $27,750,000 and Nov Shares being issued at $0.50 per share and (c) purchasers of Offered Securities issued in the Private Placement will own 20.5% of fully diluted common shares of the Resulting Issuer.

Prior to the closing of the Private Placement and the Transaction, if at all, it is intended that the Company will complete a consolidation (the "Consolidation") of its common shares on the basis of two (2) pre-consolidated common shares for one (1) post-consolidated common share.

Intelligent Content Enterprises Inc.

(Formerly: Eagleford Energy Corp.)

Management's Discussion and Analysis
For the year ended
August 31, 2016

1 King Street West, Suite 1505, Toronto, ON, Canada Telephone: 416 364 4039, Facsimile: 416 364-8244

OVERVIEW

Intelligent Content Enterprises Inc. (formerly: Eagleford Energy Corp.) ("ICE" or the "Company") was amalgamated under the Business Corporations Act (*Ontario)* on November 30, 2009. The Company filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. Through the Company's wholly owned subsidiary DoubleTap Daily Inc., (formerly: Digital Widget Factory Inc.) ("DoubleTap") the Company is developing an online management and advertising platform that powers user and advertising engagement programs in real-time to desktop, mobile and portable devices. The Company's registered office is 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1. The Company's common shares trade on OTCQB under the symbol ICEIF and on the Canadian Securities Exchange under the symbol ISP. At the date of filing this Management's Discussion and Analysis, the Company's common shares have been subjected to a cease trade order in Canada and its common shares have been moved from the OTCQB to the pink sheets as a result of the delay in filing the Company's financial statements and related year end reports.

The Company negotiated an Asset Purchase Agreement to be effective February 29, 2016, with an expectation to acquire the net assets (the "Acquired Assets") of Digital Widget Factory Inc., a Belize company (the "Vendor"), in an all-stock transaction by issuing 12,500,000 common shares and 5,750,000 Series A preferred shares of ICE to the Vendor (the "Transaction"). On this basis the proposed Series A preferred shares would be convertible into units of ICE with each unit comprised of 1 common share and 1 common share purchase warrant entitling the holder to acquire an additional common share of ICE for $0.35 for up to 3 years (the common shares and the preference shares are hereafter referred to as the "Proposed Purchase Price Shares").

The essential components of the proposed Acquired Assets are an intelligent content platform technology developed by Digital Widget Factory Inc. and a series of related websites under the url digiwdgy.com (the "DWF Technology"). The fair value of the Transaction was estimated at $9,530,250 and to be paid through the issuance by the Company of the Proposed Purchase Price Shares. The purchase price allocation to the fair value of the assets recorded as at February 29, 2016 was as follows:

Consideration:		
Fair Value of Issuance of 12,500,000 common shares	$	5,071,125
Fair Value of Issuance of 5,750,000 Series A preferred shares		4,459,125
Total consideration	$	9,530,250
Allocated to:		
Intangible assets-technology	$	9,530,250
Transaction Costs:		
Financial advisory, legal and other expenses	$	30,550

Subsequent to February 29, 2016, the Company management came to the conclusion that certain representations and warranties made by the Vendor pursuant to the DWF Agreement were conceivably deficient and would not survive the one year period of Indemnification. Management contends that if the Company had this information as at February 29, 2016, management would not have likely completed the transaction and the Proposed Purchase Price Shares would not have been issued. On November 24, 2016, the Company advanced a Notice of Claim to the Vendor under the DWF Agreement.

On December 22, 2016, it was agreed that all disputed matters contained in the DWF Agreement, be resolved in a Settlement Agreement whereby the Company agreed to return the Acquired Assets to the Vendor and the Vendor agreed to return the Proposed Purchase Price Shares paid back to the Company such that best efforts were made so that each party be in the same or similar position it was as at February 29, 2016 had the Transaction not occurred.

The Settlement Agreement closed effective January 20, 2017, when the Vendor returned to the Company the Proposed Purchase Price Shares comprised of 12,500,000 common shares and 5,750,000 Series A preferred shares previously issued to the Vendor and a full and final release in favor of the Company in respect of all obligations under the DWF Agreement. The Proposed Purchase Price Shares have been cancelled in the capital stock of the Company and the Company no longer has any interest in the DWF Technology and the series of digiwidgy.com websites (see Note 3 to the Consolidated Financial Statements).

During the year ended August 31, 2016, the Company corrected the accounting for prior period errors. As a result certain amounts have been re-stated from 2015 and 2014 to reflect these changes. The Company had derivative warrants that expired and the fair value measured was previously recorded as an increase to contributed surplus. The expiry of the derivative liability should have been treated as an expiry of the liability in accordance with IAS39 and recognized as gain on expiry of the derivative liability on the consolidated statement of operations (see Note 3 to the Consolidated Financial Statements).

The consolidated financial statements include the accounts of ICE, the legal parent, together with its wholly-owned subsidiaries, Ice Studio Productions Inc., incorporated in the Province of Ontario on June 16, 2016 ("ICE Studio") and DoubleTap incorporated in the Province of Ontario on February 29, 2016.

Effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta Ltd., a company operating in the province of Alberta (“1354166 Alberta”). The Company’s former subsidiaries, Eagleford Energy, Zavala Inc., a Nevada company (“Zavala Inc.”), and its’ wholly owned subsidiary EEZ Operating Inc., a Texas company (“EEZ Operating”) were disposed of effective August 31, 2015 and Dyami Energy LLC., a Texas company (“Dyami Energy”) was dissolved effective April 3, 2014 (see Note 16 to the Consolidated Financial Statements).

The following Management’s Discussion and Analysis of ICE should be read in conjunction with the Company’s Audited Consolidated Financial Statements for the year ended August 31, 2016 and notes thereto. The Company’s Audited Consolidated Financial Statements for the year ended August 31, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”). All amounts herein are presented in Canadian dollars, unless otherwise noted. This Management’s Discussion and Analysis is dated March 13, 2017 and has been approved by the Board of Directors of the Company.

Our Canadian public filings can be accessed and viewed via the System for Electronic Data Analysis and Retrieval (“SEDAR”) at www.sedar.com. Readers can also access and view our Canadian public insider trading reports via the System for Electronic Disclosure by Insiders at www.sedi.ca. Our U.S. public filings are available at the public reference room of the U.S. Securities and Exchange Commission (“SEC”) located at 100 F Street, N.E., Room 1580, Washington, DC 20549 and at the website maintained by the SEC at www.sec.gov.

FORWARD LOOKING STATEMENTS

This Management’s Discussion and Analysis contains certain forward-looking statements, including management’s assessment of future plans and operations, and capital expenditures and the timing thereof, that involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company’s control. Such risks and uncertainties include, without limitation, risks associated with ability to access sufficient capital from internal and external sources, the impact of general economic conditions in Canada, the United States and overseas, industry conditions, changes in laws and regulations (including the adoption of new laws and regulations) and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. The Company’s actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that the Company will derive there from. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this Management Discussion and Analysis are made as at the date of this Management Discussion and Analysis and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

OVERALL PERFORMANCE

For the year ended August 31, 2016, net loss from continuing operations was $13,534,298 compared to a net income from continuing operations of $3,325,649 for year ended August 31, 2015. The increase in net loss during 2016, was primarily related to an increase in loss on settlement of debt of $12,489,249 compared to $Nil in fiscal 2015 and an increase in stock based compensation of $503,231 to $615,924 versus stock based compensation expense of $112,693 during fiscal 2015. The increase in stock based compensation during fiscal 2016 was related to stock options granted to a director of the Company. Loss on settlement of debt during fiscal 2016 was, was primarily attributed to the issuance of 10,329,983 units in the capital of the Company at fair value pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements and the issuance of 9,543,110 common shares of the Company at fair value as settlement of loans and interest due in the amount of $1,262,453.

On August 31, 2016, the Company completed private placements for gross proceeds of $260,000 and issued 236,364 units in the capital of the Company at a purchase price of $1.10 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $1.25 until August 31, 2019.

During the year ended August 31, 2016, 518,683 common share purchase warrants were exercised at $1.00 for proceeds of $518,683.

On February 29, 2016, the Company entered into debt conversion agreements and converted debt in the aggregate amount of $451,557 through the issuance of 1,505,190 units in the capital of the Company. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $0.35 until March 1, 2019.

On February 29, 2016, the Company completed a private placement for gross proceeds of $30,000 and issued 100,000 units in the capital of the Company at a purchase price of $0.30 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $0.35 until March 1, 2019.

Effective November 18, 2015, the Company issued 500,000 common shares in the capital of the Company at a price of $0.10 per share for gross proceeds of $50,000.

Effective November 18, 2015, the Company entered into debt conversion agreements and converted loans and interest due in the aggregate amount of $1,262,453 through the issuance of 9,543,110 common shares in the capital of the Company.

Effective November 18, 2015, the Company issued 10,329,983 Units in the capital of the Company pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements. Each unit was comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$1.00 until August 30, 2017.

The Company anticipates further expenditures to be made on future opportunities evaluated by the Company. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by the Company, or by other means. The Company's long-term profitability will depend upon its ability to successfully implement its business plan. The Company's past primary source of liquidity and capital resources has been proceeds from the issuance of share capital, shareholders' loans and cash flow from oil and gas operations.

RISK AND UNCERTAINTIES

The Company is subject to several risk factors which may have adverse effects on our business which could harm our operating results including, but not limited to: the ability to generate and aggregate compelling content to increase the number of users of our services or users' level of engagement with our services; the effect of technologies, tools, software, and applications could block our advertisements, impair our ability to deliver interest-based advertising, or shift the location in which advertising appears; changes in regulations or user concerns regarding privacy and protection of user data; continued and unimpeded access to the internet by us and our users. Internet access providers may be able to block, degrade, or charge for access to certain of our products and services, which could lead to additional expenses and the loss of users and advertisers and certain of our metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

As the Company has not experienced any cash flow from operations to independently finance its growth and operations, it has been reliant on access to capital in the form of both debt and equity to fund on-going operations and to fund capital investments. Although periodic volatility of financial and capital markets may severely limit access to capital, the Company has been able to attract the required investment capital in the past however no assurances can be made that it will continue to do so in the future.

The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Company also cautions readers not to place undue reliance on these forward-looking statements. Moreover, the forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above (For additional risk factors, please see the Company's Annual Information Form filed on Form 20F).

FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS

Financial instruments are measured at fair value on initial recognition of the instrument. The types of risk exposure to the Company's financial instruments and the ways in which such exposures are managed are as follows:

Credit Risk

Credit risk is primarily related to the Company's receivables and cash and the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. At August 31, 2016, other receivables amounts are $Nil (August 31, 2015: $8,346).

Concentration risk exists in cash because significant balances are maintained with one financial institution. The risk is mitigated because the financial institution is an international bank and all amounts are due on demand. The Company's maximum exposure to credit risk is as follows:

	August 31, 2016 ($)	August 31, 2015 ($)
Cash	449,983	32,192
Other receivables	-	8,346
Balance	449,983	40,538

Liquidity Risk
The Company monitors its liquidity position regularly to assess whether it has the funds necessary to fulfill planned opportunities or that viable options are available to fund such opportunities from new equity issuances or alternative sources of financings. As a company without any revenue, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that such financing terms may not be acceptable to the Company.

The following table illustrates the contractual maturities of financial liabilities:

August 31, 2016	Payments Due by Period $				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	1,173,231	1,173,231	-	-	-
Total	1,173,231	1,173,231	-	-	-

August 31, 2015	Payments Due by Period $				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	1,630,809	1,630,809	-	-	-
Shareholders' loans	339,588	339,588	-	-	-
Loans payable	1,063,105	1,063,105	-	-	-
Total	3,033,502	3,033,502	-	-	-

Market Risk
Market risk represents the risk of loss that may impact the Company's financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, and other relevant market or price risks. The Company does not use derivative instruments to mitigate this risk.

(i) Currency Risk
The Company is exposed to the fluctuations in foreign exchange rates. The Company operates in Canada and a portion of its expenses are incurred in US dollars. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in US dollars as at the year-end set out below:

	August 31, 2016 ($)	August 31, 2015 ($)
Cash	6,157	22,166
Prepaid expenses and deposits	7,814	-
Trade and other receivables	-	24,154
Trade and other payables	(26,322)	(873,523)
Derivative liabilities	-	(212,668)
Loans payable	-	(776,000)
Shareholders' loans	-	(249,250)
Net liabilities denominated in US$	(12,351)	(2,065,121)
Net liabilities CDN dollar equivalent at period end [1]	(16,209)	(2,730,710)

(1) Translated at the exchange rate in effect at August 31, 2016 $1.3124 (August 31, 2015 $1.3223)

The following table shows the estimated sensitivity of the Company's total loss for the periods set out from a change in the US dollar exchange rate in which the Company has exposure with all other variables held constant.

	August 31, 2016		August 31, 2015	
	Increase	Decrease	Increase	Decrease
Percentage change in US Dollar	In total loss from a change in % in the US Exchange Rate ($)		In total loss from a change in % in the US Exchange Rate ($)	
5%	(1,064)	1,064	(180,541)	180,541
10%	(2,127)	2,127	(361,082)	361,082
15%	(3,191)	3,191	(541,623)	541,623

(ii) Interest Rate Risk
Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The majority of the Company's debt is short-term in nature with fixed rates.

(iii) Fair Value of Financial Instruments

The Company's financial instruments included on the consolidated statements of financial position are comprised of cash, other receivables, trade and other payables, shareholders' loans, loans payable, provisions and derivative liabilities. The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

• Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

• Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

		August 31, 2016		August 31, 2015	
Financial Instrument Classification	Level	Carrying Value ($)	Fair Value ($)	Carrying Value ($)	Fair Value ($)
Fair value through profit or loss:					
Cash	1	449,983	449,983	32,192	32,192
Derivative liabilities	3	-	-	281,210	281,210
Loans and receivables:					
Other receivables	3	-	-	8,346	8,346
Other financial liabilities:					
Trade and other payables	3	1,173,231	1,173,231	1,630,809	1,630,809
Shareholders' loans	3	-	-	339,588	339,588
Loans payable	3	-	-	1,063,105	1,063,105
Provisions	3	-	-	11,563	11,563

Cash is stated at fair value (Level 1 measurement). The carrying value of other receivables, trade and other payables, loans payable, secured note payable, derivative liabilities and provisions approximate their fair value due to the short-term maturity of these financial instruments (Level 3 measurement). Shareholders' loans are measured at Level 3.

Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to fund its operations, growth and ongoing development opportunities. The Company's capital requirements currently exceed its operational cash flow. As such, the Company is dependent upon future financings in order to maintain liquidity and will be required to issue equity or issue debt.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, availability of capital and the risk characteristics of any underlying assets in order to meet current and upcoming obligations.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favourable market conditions to sustain future development of the business. As at August 31, 2016 and 2015, the Company considered its capital structure to be comprised of shareholders' deficiency.

SELECTED ANNUAL INFORMATION-CONTINUING OPERATIONS

The following table reflects the summary of results for the years set out.

	For the Years Ended August 31		
	2016	**2015**	**2014**
Net income (loss) from continuing operations	$(13,534,298)	$3,325,649	$(5,405,678)
Income (loss) per share from continuing operations, basic	$(0.652)	$1.201	$(4.265)
Income (loss) per share from continuing operations, diluted	$(0.652)	$0.886	$(4.265)
Assets	$482,582	$93,115	$5,296,928
Long term liabilities	$-	$-	$4,266,790

August 31, 2016 – 2015
Net loss from continuing operations for the year ended August 31, 2016 was $13,534,298 compared to a net income from continuing operations of $3,325,649 for year ended August 31, 2015. The increase in net loss during 2016, was primarily related to an increase in loss on settlement of debt of $12,489,249 compared to $Nil in fiscal 2015 and an increase in stock based compensation of $503,231 to $615,924 versus stock based compensation expense of $112,693 during fiscal 2015. The increase in stock based compensation during fiscal 2016 was related to stock options granted to a director of the Company. Loss on settlement of debt during fiscal 2016 was, was primarily attributed to the issuance of 10,329,983 units in the capital of the Company at fair value pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements and the issuance of 9,543,110 common shares of the Company at fair value as settlement of loans and interest due in the amount of $1,262,453. The Company also experienced increases in research, content development and technology support of $160,519 compared to $Nil in 2015 and increases in hosting, advertising and technology services of $45,272 compared to $Nil in fiscal 2015.

August 31, 2015 – 2014
Net income from continuing operations for the year ended August 31, 2015 was $3,325,649 compared to a net loss from continuing operations of $5,405,678 for the year ended August 31, 2014. The increase in net income for fiscal 2015 was attributed to a gain on derivative liabilities of $2,653,591 compared to a loss of $2,735,476 for fiscal 2014, a gain on disposition of subsidiary of $615,881 compared to $Nil in 2014, and a gain on settlement of litigation of $120,125 versus $Nil for the same twelve month period ending August 30, 2014. During fiscal 2015, the Company's general and administrative expenses were significantly lower by $314,418 to $89,007 compared to $403,425 for fiscal 2014. The lower general and administrative expenses for 2015, was primarily attributed to the forgiveness of management fees of $306,250 by the former President. For the year ended August 31, 2015, the Company recorded a loss on settlement of debt of $Nil versus a loss on settlement of debt in the amount of $1,335,935 for the same period in 2014.

RESULTS OF OPERATIONS-CONTINUING OPERATIONS

Production Volume
For the year ended August 31, 2016, average natural gas sales volumes were Nil compared to average natural gas sales volumes of 61 mcf/d for the same period in 2015. Total production volume for the year ended August 31, 2016, was Nil compared to 22,406 mcf for the twelve month period ended August 31, 2015. Effective February 29, 2016, the Company disposed of its interest in 1354166 Alberta and as a result, its operations have been deconsolidated from the Company's Consolidated Financial Statements and presented as discontinued operations on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows.

For the year ended August 31, 2015, average natural gas sales volumes slightly increased by 8mcf/d to 61 mcf/d compared to 53 mcf/d for the same period in 2014. Total production volume for the year ended August 31, 2015, was 22,406 mcf compared to 19,244 mcf for the twelve month period ended August 31, 2014.

Commodity Prices
For the year ended August 31, 2016, average natural gas prices received per mcf decreased to $Nil compared to $3.06 for the year ended August 31, 2015. The decrease in average natural gas prices received during 2016 was attributed to the discontinued operations of 1354166 Alberta upon its disposition.

For the year ended August 31, 2015, average natural gas prices received per mcf decreased to $3.06 compared to $4.34 for the year ended August 31, 2014. The decrease in average natural gas prices received is attributed to fluctuations in commodity prices for natural gas.

Revenue	**For the Years Ended August 31,**		
	2016	**2015**	**2014**
Natural gas sales	$-	$53,055	$65,024

Natural gas sales for the year ended August 31, 2016, was $Nil compared to natural gas sales of $53,055 for the year ended August 31, 2015. The decrease in sales for fiscal 2016 was a result of the discontinued operations of 1354166 Alberta.

Natural gas sales for the year ended August 31, 2015, was lower by $11,969 to $53,055 compared to natural gas sales of $65,024 for the year ended August 31, 2014. The decrease in sales for fiscal 2015 was attributed to decreased commodity prices received for natural gas.

Operating Costs
For year ended August 31, 2016, operating costs were $Nil compared to operating costs of $24,910 for the year ended August 31, 2015. The decrease in operating costs during 2016 was attributed to the discontinued operations of 1354166 Alberta upon its disposition.

For year ended August 31, 2015, operating costs were $24,910 compared to operating costs of $17,138 for the year ended August 31, 2014. The increase in operating costs for the years ended August 31, 2015, was primarily a result of higher production volume and activity on the Company's Botha, Alberta wells.

Research, Content Development and Technology Support
For the year ended August 31, 2016, the Company incurred research, content development and technology support costs of $160,519 compared to $Nil in the prior comparable period in 2015 and 2014. The increase in research, content development and technology support costs during fiscal 2016 is related to the change in business direction of the Company into technology.

Hosting, Advertising and Technology Services
For the year ended August 31, 2016, the Company incurred hosting and technology costs of $45,272 compared to $Nil for the year ended August 31, 2015 and 2014. The increase in hosting and technology costs experienced in current fiscal year 2016, was a result of the costs associated with the change in business direction of the Company into technology.

General and Administrative	**For the Years Ended August 31,**		
	2016	**2015**	**2014**
Professional fees	$148,662	$91,233	$158,399
Head office costs	42,000	42,000	44,925
Management fees	60,000	(156,250)	75,000
Transfer and registrar costs	12,842	9,053	18,218
Shareholders information	63,375	34,187	35,689
Office and general costs	5,826	5,384	2,350
Directors fees	1,800	2,400	3,100
Consulting fees and expenses	60,000	61,000	65,744
Travel	15,215	-	-
Rent	3,776	-	-
Insurance	4,710	-	-
Total	$418,206	$89,007	$403,425

For the year ended August 31, 2016, the Company's general and administrative costs were significantly higher by $329,199 to $418,206 compared to $89,007 for the comparable year ended August 31, 2015. The increase in expenses during fiscal 2016 was mainly attributed to an increase in management fees to $60,000 compared to a recovery of management fees of $156,250 in 2015 as a result of $306,250 of management fees forgiven by the former President. Shareholders' information costs also increased by $29,188 during the current fiscal year to $63,375 compared to $34,187. The increases in shareholders information costs were by in large related to the consolidation of shares and name change of the Company effective February 1, 2016, and the annual listing fees for the OTCQB. The Company also experienced increases in professional fees of $57,429 to $148,662 during fiscal 2016 compared to $91,233 for the year ended August 31, 2015. In addition, during fiscal 2016 the Company incurred additional increases in travel, insurance and transfer agent fees.

General and administrative expenses for the year ended August 31, 2015, were $314,418 lower to $89,007 compared to $403,425 for the year ended August 31, 2014. The decrease in expenses during fiscal 2015 was primarily attributed to a decrease in management fees of $231,250 as a result of $306,250 of management fees forgiven in the current year compared to management fees charged in the prior period in 2014 of $75,000. Also for the year ended August 31, 2015, the Company's professional fees decreased by $67,166 to $91,233 compared to $158,399 for the year ended August 31, 2014. The professional fee decreases were primarily related to a reduction in litigation costs related to the Matthews Lease, Texas. During fiscal 2015, the Company also experienced a reduction in consulting fees of $4,744 and a decrease in transfer and registrar costs of $9,165. During fiscal 2014, the Company completed a 1-for-10 stock consolidation which resulted in higher transfer and registrar costs.

Interest
For the year ended August 31, 2016, the Company recorded interest costs of $12,812 compared to interest costs of $280,299 for the year ended August 31, 2015. The decrease in interest costs during the year ended August 31, 2016, was primarily attributed to the settlement of loans payable and shareholder loans payable and the extinguishment of a secured convertible note effective August 31, 2015.

For the year ended August 31, 2015, the Company recorded interest costs of $280,299 compared to interest costs of $284,038 for the year ended August 31, 2014. The decrease in interest costs during the year ended August 31, 2015, was primarily attributed to a reduction shareholder loans compared to the prior period in 2014.

Loss on Foreign Exchange
For the year ended August 31, 2016, the Company recorded a loss on foreign exchange of $21,890 versus a loss on foreign exchange of $415,345 for year ended August 31, 2015.

For the year ended August 31, 2015, the Company recorded a loss on foreign exchange of $415,345 versus a loss on foreign exchange of $101,427 for year ended August 31, 2014.

These foreign exchange losses are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company. The decrease in the loss on foreign exchange during 2016, is largely attributed to the disposition of Zavala Inc., whose functional currency was US dollars.

Gain on Disposal of Subsidiary

For the year ended August 31, 2016, the Company recorded a gain on disposal of subsidiary in the amount of $68,489 compared to a gain of $615,881 for the year ended August 31, 2015.

The Company entered into a Share Purchase and Debt Settlement Agreement with 1288131 Alberta Ltd. effective February 29, 2016, and disposed of its interest in 1354166 Alberta for the settlement of debt owed to 1288131 Alberta Ltd., in the amount of $62,867. The net assets and liabilities of 1354166 Alberta upon disposal were $(5,622) resulting in a gain of $68,489.

At August 31, 2015, the Company settled a secured convertible note payable with a face value of $1,608,149 (US$1,216,175) plus interest of $154,179 (US$121,618), totaling $1,762,328 (US$1,337,793) by conveying all of its rights, title and interest in and to Zavala Inc., and issuing 10,000,000 shares of common stock of the Company. As a result the Company's extinguishment of the Note, the Company's investment in Zavala Inc. had been deconsolidated from the Company's Consolidated Financial Statements as at August 31, 2015, at which time the Company recorded a gain on disposal of subsidiary in the amount of $615,881 (August 31, 2014: $Nil).

Stock Based Compensation

Employees

For the year ended August 31, 2016, the Company recorded stock based compensation of $615,924 compared to $84,520 for the same period in 2015. On April 1, 2016, the Company granted options to purchase 300,000 common shares to a director. These options are exercisable at $2.19 per share, vest immediately and expire on December 8, 2016.

For the year ended August 31, 2015, the Company recorded stock based compensation of $84,520 compared to $Nil for the same twelve month period in 2014. On November 12, 2014, the Company granted options to purchase 75,000 common shares to directors of the Company. These options are exercisable at $1.20 per share, vest immediately and expire as follows: 25,000 on November 11, 2019; 25,000 on December 8, 2016; and 25,000 expired on March 21, 2016.

Non Employees

For the year ended August 31, 2016, the Company recorded stock based compensation for non-employees of $Nil compared to $28,173 for the year ended August 31, 2015.

For the year ended August 31, 2015, the Company recorded stock based compensation for non-employees of $28,173 compared to $Nil for the year ended August 31, 2014. On November 12, 2014, the Company granted options to purchase 25,000 common shares to a consultant of the Company. These options are exercisable at $1.20 per share, vest immediately and expire on November 11, 2019.

Gain on Expiry of Derivative Liabilities

For the year ended August 31, 2016, the Company recorded a gain on expiry of derivative liabilities in the amount of $281,210 versus a gain on expiry of derivative liabilities in the amount of $1,258,206 for the year ended August 31, 2015.

For the year ended August 31, 2015, the Company recorded a gain on expiry of derivative liabilities in the amount of $1,258,206 versus a gain on expiry of derivative liabilities in the amount of $709,299 for the year ended August 31, 2014.

During fiscal 2016, 13,048 warrants expired and the fair value of $281,210 was recorded as a gain on expiry of derivative liabilities in the consolidated statement of operations. During fiscal 2015, 61,335 warrants expired and the fair value of $1,258,206 was recorded as a gain on expiry of derivative liabilities in the consolidated statement of operations. During fiscal 2014, 17,093 warrants expired and the fair value of $709,299 was recorded as a gain on expiry of derivative liabilities in the consolidated statement of operations.

Loss on Settlement of Debt

For the year ended August 31, 2016, the Company recorded a loss on settlement of debt in the amount of $12,489,249 compared to loss on settlement of debt of $Nil for the same twelve month period in 2015. The primary factor contributing to the resulting net loss on settlement of debt during the year ended August 31, 2016 was related to the issuance of 10,329,983 units in the capital of the Company pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements. The fair value of the units $6,896,800 was recognized as a loss on settlement of debt in the consolidated statement of operations. In Addition, effective November 18, 2015, the Company entered into shares for debt conversion agreements and converted loans and interest due in the aggregate amount of $1,262,453 through the issuance of 9,543,110 common shares in the capital of the Company. The fair value of the common shares $6,371,457 was allocated to common shares and $5,109,004 was recorded as a loss on settlement of debt in the consolidated statement of operations.

For the year ended August 31, 2015, the Company recorded a loss on settlement of debt in the amount of $Nil compared to loss on settlement of debt $1,335,935 for the same twelve month period in 2014. During fiscal 2014, the Company issued 14,757,102 units as full settlement of shareholders' loans and interest in the aggregate amount of $1,180,570. The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as loss on settlement of debt in the consolidated statement of operations.

Impairment Loss on Marketable Securities

For the year ended August 31, 2016, the Company recorded an impairment loss on marketable securities of $120,125 (August 31, 2015 and 2014: $Nil). As at August 31, 2016, the Company held 1,200,000 common shares in a quoted company security that had been acquired as settlement of litigation. As at August 31, 2015, the Company recorded a change in the fair value of the securities in other comprehensive loss in the amount of $110,525. For the year ended August 31, 2016, the Company re-classified the loss of $110,525 to the consolidated statement of operations and recorded a further impairment of $9,600.

Gain (Loss) on Derivative Liabilities

For the year ended August 31, 2016, the Company recorded a gain on derivative liabilities of $Nil compared to a gain on derivative liabilities of $2,653,591 for the year ended August 31, 2015.

For the year ended August 31, 2015, the Company recorded a gain on derivative liabilities of $2,653,591 compared to a loss on derivative liabilities of $2,735,476 for the year ended August 31, 2014.

Derivative Warrant Liabilities

For the year ended August 31, 2016, the Company recorded a loss on derivative liabilities of $Nil compared to a loss on derivative warrant liabilities of $214,109 for the year ended August 31, 2015.

For the year ended August 31, 2015, the Company recorded an unrealized loss on derivative warrant liabilities of $214,109 compared to an unrealized loss on derivative warrant liabilities of $57,723 for the year ended August 31, 2014. During fiscal 2015, the Company had warrants issued with an exercise price in US dollars which is different to the functional currency of the Company (Canadian Dollars) and accordingly the warrants are treated as a derivative financial liability and the fair value movement during the period is recognized in the consolidated statement of operations.

Derivative Unit Liabilities

At August 31, 2016, the Company had no derivative unit liabilities.

During the year ended August 31, 2015, the Company recorded a gain derivative unit liabilities of $2,867,700 compared to a loss of $2,677,751 for the year ended August 31, 2014.

At August 31, 2015, the Company wrote down derivative unit liabilities to fair value being the face value of the Note in the amount of $1,608,149 (US$1,216,175), upon the extinguishment of the Note.

Marketing and Public Relations

For the year ended August 31, 2016, the Company recorded of $Nil versus a recovery of marketing and public relations costs of $22,800 for the year ended August 31, 2015. For the year ended August 31, 2014, the Company also recorded a recovery of marketing and public relations costs of $14,250. The recovery of costs related to the reversal of prior period accruals.

Accretion of Convertible Secured Note

For the year ended August 31, 2016, the Company recorded accretion on a secured convertible note in the amount of $Nil compared to $475,755 for the year ended August 31, 2015 (August 31, 2014: $Nil). The Company had a secured convertible note payable with a face value of US$1,216,175 (the "Note"). The Note was being accreted up to its face value over the life of Note based on an effective interest rate and was extinguished on August 31, 2015.

Gain on settlement of Litigation

For the year ended August 31, 2016, the Company recorded a gain on settlement of litigation in the amount of $Nil compared to $120,125 for the year ended August 31, 2015 (August 31, 2014: $Nil). Effective March 25, 2015, the Company entered into a settlement agreement with a former director of the Company and received 1,200,000 common shares and 1,200,000 common share purchase warrants of Stratex Oil & Gas Holdings, Inc. ("Stratex") exercisable at US$0.15 per expiring December 31, 2018. The 1,200,000 common shares and warrants were recorded at fair value of $120,125 and allocated to gain on settlement of litigation on the consolidated statement of operations.

At each financial reporting period, the Company estimates the fair value of investments which are held-for-trading, based on quoted closing bid prices at the consolidated statements of financial position date or the closing bid price on the last day the security traded if there were no trades at the consolidated statements of financial position date and such valuations are reflected in the consolidated financial statements.

Depletion and Accretion
Depletion and accretion for the year ended August 31, 2016 and 2015 was $Nil compared to $1,536 for the year ended August 31, 2014. The decrease in depletion and accretion for the year ended August 31, 2016 and 2015 was attributed to the discontinued operations of 1354166 Alberta and the disposition of the Company's wholly-owned subsidiary, Zavala Inc., effective August 31, 2015.

Impairment Loss on Exploration and Evaluation Assets
As at and for the years ended August 31, 2016 and 2015, the Company recorded an impairment loss on exploration and evaluation assets of $Nil compared to an impairment loss of $1,315,276 during fiscal 2014 on its Murphy Lease, Zavala County, Texas.

Net Income (Loss) from Continuing Operations
Net loss from continuing operations for the year ended August 31, 2016, was $13,534,298, compared to a net income of $3,325,649 for the year ended August 31, 2015.The increase in net loss during 2016, was primarily related to an increase in loss on settlement of debt of $12,489,249 compared to $Nil in fiscal 2015 and an increase in stock based compensation of $503,231 to $615,924 versus stock based compensation expense of $112,693 during fiscal 2015. The increase in stock based compensation during fiscal 2016 was related to stock options granted to a director of the Company. Loss on settlement of debt during fiscal 2016 was primarily attributed to the issuance of 10,329,983 units in the capital of the Company recorded at fair value pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements and the issuance of 9,543,110 common shares of the Company at fair value as settlement of loans and interest due in the amount of $1,262,453. The Company also experienced increases in research, content development and technology support of $160,519 compared to $Nil in 2015 and increases in hosting, advertising and technology services of $45,272 compared to $Nil in fiscal 2015.

Net income from continuing operations for the year ended August 31, 2015, was $3,325,649 compared to a net loss from continuing operations of $5,405,678 for the year ended August 31, 2014. The increase in net income for fiscal 2015 was attributed to a gain on derivative liabilities of $2,653,591 compared to a loss of $2,735,476 for fiscal 2014, a gain on disposition of subsidiary of $615,881 compared to $Nil in 2014, and a gain on settlement of litigation of $120,125 versus $Nil for the same twelve month period ending August 30, 2014. During fiscal 2015, the Company's general and administrative expenses were significantly lower by $314,418 to $89,007 compared to $403,425 for fiscal 2014. The lower general and administrative expenses for 2015, was primarily attributed to the forgiveness of management fees of $306,250 by the former President of the Company. For the year ended August 31, 2015, the Company recorded a loss on settlement of debt of $Nil versus a loss on settlement of debt in the amount of $1,335,935 for the same period in 2014.

Net Income (Loss) from Discontinued Operations Net of Tax
Net income from discontinued operations net of tax for the year ended August 31, 2016, was $2,711 compared to a net loss from discontinued operations net of tax of $4,762,461 for the year ended August 31, 2015.

Net loss from discontinued operations for the year ended August 31, 2015, was $4,762,461 compared to a loss from discontinued operations of $608 for the year ended August 31, 2014. The increase in loss during fiscal 2015 was primarily related to an impairment of exploration and evaluation assets of $4,490,045 versus $Nil for the year ended August 31, 2014.

The income (loss) from discontinued operations is a result of the discontinued operations of 1354166 Ontario and Zavala Inc. as follows:

1354166 Ontario
The Company entered into a Share Purchase and Debt Settlement Agreement with 1288131 Alberta Ltd. effective February 29, 2016 and disposed of its interest in 1354166 Alberta. As a result the Company's investment in 1354166 Alberta had been derecognized from the Company's Consolidated Financial Statements and presented as discontinued operations on the Consolidated Statements of Operations. The following table presents the statements of operations of 1354166 Alberta for the period set out:

	August 31,2016
Revenue	
Natural gas sales	$13,998
Expenses	
Operating costs	5,170
General and administrative	97
	(5,267)
Net income from discontinued operations	$8,731
Earnings per share from discontinued operations, basic and diluted	$0.000

Zavala Inc.
At August 31, 2015, the Company entered into a Settlement and Exercise of Security Agreement whereby effective August 31, 2015, the Company assigned and conveyed all of its rights, title and interest in and to Zavala Inc. Accordingly, the Company's investment in Zavala Inc. had been derecognized from the Company's Consolidated Financial Statements as at August 31, 2015 and presented as discontinued operations. The following table presents the consolidated statements of operations and comprehensive income (loss) of Zavala Inc., for the years set out:

	August 31, 2016	August 31, 2015	August 31, 2014
Expenses			
Accretion	$-	$1,498	$913
General and administrative	6,020	73,347	(305)
Bad debt expense	-	29,756	-
Impairment loss on marketable securities	-	167,815	-
Impairment loss on exploration and evaluation assets	-	4,490,045	-
Loss from discontinued operations	(6,020)	(4,762,461)	(608)
Foreign currency translation	-	(4,692)	3,800
Total loss from discontinued operations	$(6,020)	$(4,767,153)	$3,192
Loss per share from discontinued operations, basic	$(0.000)	$(1.719)	($0.000)
Loss per share from discontinued operations, diluted	$(0.000)	$(1.268)	($0.000)

Net Loss
Net loss for the year ended August 31, 2016, was $13,531,587 compared to a net loss of $1,436,812 the year ended August 31, 2015. The increase in net loss during 2016, was primarily related to an increase in loss on settlement of debt of $12,489,249 compared to $Nil in fiscal 2015 and an increase in stock based compensation of $503,231 to $615,924 versus stock based compensation expense of $112,693 during fiscal 2015. The increase in stock based compensation during fiscal 2016 was related to stock options granted to a director of the Company. Loss on settlement of debt during fiscal 2016 was primarily attributed to the issuance of 10,329,983 units in the capital of the Company recorded at fair value pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements and the issuance of 9,543,110 common shares of the Company at fair value as settlement of loans and interest due in the amount of $1,262,453. The Company also experienced increases in research, content development and technology support of $160,519 compared to $Nil in 2015 and increases in hosting, advertising and technology services of $45,272 compared to $Nil in fiscal 2015.

Net loss for the year ended August 31, 2015, was $1,436,812, compared to a net loss of $5,406,286 for the year ended August 31, 2014. The decrease in net loss for fiscal 2015 was attributed to a gain on derivative liabilities of $2,653,591 compared to a loss of $2,735,476 for fiscal 2014, a gain on disposition of subsidiary of $615,881 compared to $Nil in 2014, and a gain on settlement of litigation of $120,125 versus $Nil for the same twelve month period ending August 30, 2014. During fiscal 2015, the Company's general and administrative expenses were significantly lower by $314,418 to $89,007 compared to $403,425 for fiscal 2014. The lower general and administrative expenses for 2015, was primarily attributed to the forgiveness of management fees of $306,250 by the former President of the Company. For the year ended August 31, 2015, the Company recorded a loss on settlement of debt of $Nil versus a loss on settlement of debt in the amount of $1,335,935 for the same period in 2014.

Other Comprehensive Income (Loss) to be Re-Classified
Impairment Loss on Marketable Securities
For the year ended August 31, 2016, the Company reclassified an unrealized loss on marketable securities of $110,525 recorded in fiscal 2015 to an impairment loss on marketable securities on the consolidated statements of operations (August 31, 2014: $Nil).

Foreign Currency Translation-Discontinued Operations
For the year ended August 31, 2016, the Company incurred a loss on foreign currency translation of $Nil versus a loss of $4,692 for the year ended August 31, 2015.

For the year ended August 31, 2015, the Company incurred a loss on foreign currency translation of $4,692 versus a loss of $199,965 for the year ended August 31, 2014.

The losses were related to translation differences between Zavala Inc.'s US dollar functional currency converted into Canadian dollars at the period end exchange rates, and the results operations converted at average rates of exchange for the period.

Total Other Comprehensive Income (Loss)
Total other comprehensive income for the year ended August 31, 2016, was $100,525 compared to a total comprehensive loss of $115,217 for the year ended August 31, 2015.

Total other comprehensive loss for the year ended August 31, 2015, was $115,217 compared to a total comprehensive loss of $199,965 for the year ended August 31, 2014.

Net Loss and Comprehensive Loss

Net loss and comprehensive loss for the year ended August 31, 2016, was $13,421,062 compared to $1,552,029 for the year ended August 31, 2015. The increase in net loss during 2016, was primarily related to an increase in loss on settlement of debt of $12,489,249 compared to $Nil in fiscal 2015 and an increase in stock based compensation of $503,231 to $615,924 versus stock based compensation expense of $112,693 during fiscal 2015. The Company also experienced increases in research, content development and technology support of $160,519 compared to $Nil in 2015 and increases in hosting, advertising and technology services of $45,272 compared to $Nil in fiscal 2015.

Net loss and comprehensive loss for the year ended August 31, 2015, was $1,552,029 compared to $5,606,251 for the year ended August 31, 2014. The decrease in net loss for fiscal 2015 was attributed to a gain on derivative liabilities of $2,653,591 compared to a loss of $2,735,476 for fiscal 2014, a gain on disposition of subsidiary of $615,881 compared to $Nil in 2014, and a gain on settlement of litigation of $120,125 versus $Nil for the same twelve month period ending August 30, 2014. During fiscal 2015, the Company's general and administrative expenses were significantly lower by $297,138 to $88,672 compared to $385,810 for fiscal 2014. The lower general and administrative expenses for 2015, was primarily attributed to the forgiveness of management fees of $306,250 by the former President of the Company. For the year ended August 31, 2015, the Company recorded a loss on settlement of debt of $Nil versus a loss on settlement of debt in the amount of $1,335,935 for the same period in 2014.

Earnings (Loss) per Share, Basic

Continuing Operations

Basic loss per share from continuing operations for the year ended August 31, 2016, was $0.652 compared to basic income per share of $1.201 for the same twelve month period in 2015.

Basic income per share from continuing operations for the year ended August 31, 2015, was $1.201 compared to basic loss per share of $4.265 for the same twelve month period in 2014.

Discontinued Operations

Basic loss per share from discontinued operations for the year ended August 31, 2016, was $Nil compared to basic loss per share of $1.719 for the same twelve month period in 2015.

Basic loss per share from discontinued operations for the year ended August 31, 2015, was $1.719 compared to basic loss per share of $Nil for the same twelve month period in 2014.

Total Loss per Share, Basic

Total basic loss per share for the year ended August 31, 2016, was $0.652 compared to total basic loss per share of $0.519 for the same twelve month period in 2015.

Total basic loss per share for the year ended August 31, 2015, was $0.519 compared to total basic loss per share of $4.265 for the same twelve month period in 2014.

Earnings (Loss) per Share, Diluted

Continuing Operations

Diluted loss per share from continuing operations for the year ended August 31, 2016, was $0.652 compared to diluted income per share of $0.886 for the same twelve month period in 2015.

Diluted income per share from continuing operations for the year ended August 31, 2015, was $0.886 compared to diluted loss per share of $4.265 for the same twelve month period in 2014.

Discontinued Operations

Diluted loss per share from discontinued operations for the year ended August 31, 2016, was $Nil compared to diluted loss per share of $1.268 for the same twelve month period in 2015.

Diluted loss per share from discontinued operations for the year ended August 31, 2015, was $1.268 compared to diluted loss per share of $Nil for the same twelve month period in 2014.

Total Loss per Share, Diluted

Total diluted loss per share for the year ended August 31, 2016, was $0.652 compared to total diluted loss per share of $0.0.382 for the same twelve month period in 2015.

Total diluted loss per share for the year ended August 31, 2015, was $0.382 compared to total diluted loss per share of $4.265 for the same twelve month period in 2014.

SUMMARY OF QUARTERLY RESULTS-CONTINUING OPERATIONS

The following tables reflect the summary of quarterly results from continuing operations for the periods set out.

For the quarter ending	2016 August 31	2016 May 31	2016 February 29	2015 November 30
Net income (loss) for the period	$153,579	$(855,102)	$(525,664)	$(12,307,111)
Earnings (Loss) per share, basic and diluted	$0.006	$(0.033)	($0.022)	$(1.843)

Fiscal 2016
During the quarter ended August 31, 2016, the Company reversed a previously recorded gain on de-recognition financial liabilities for prior obligations of Dyami Energy in the amount of $893,990. During the first quarter 2016, the Company recorded a loss on settlement of debt in the amount of $12,005,804 and research, content development and technology support costs of $68,819. During the quarter ended May 31, 2016, the Company recorded stock based compensation expense of $615,924. For the three months ended February 29, 2016, the Company recorded a gain on settlement of debt in the amount of $483,431.

For the quarter ending	2015 August 31	2015 May 31	2015 February 28	2014 November 30
Net income (loss) for the period	$4,250,165	$(523,128)	$274,941	$(676,329)
Earnings (loss) per share, basic	$1.151	$(0.014)	$0.097	$(0.248)
Earnings (loss) per share, diluted	$1.116	$(0.014)	$0.044	$(0.248)

Fiscal 2015
For the three month period ended August 31, 2015, the Company recorded gain on derivative liabilities of $2,653,591, a gain on expiry of derivative liabilities of $722,664 and a gain on disposal of subsidiary of $615,881. For the three month period ended May 31, 2015, the Company recorded a loss on derivative liabilities of $738,652 and accretion of $327,793 on a secured convertible note. For the three month period February 28, 2015, the Company record a gain on derivative liabilities of $751,502. During the quarter ended November 30, 2014, the Company recorded a loss on derivative liabilities of $263,551 and stock based compensation of $112,693.

FOURTH QUARTER RESULTS-CONTINUING OPERATIONS

For the quarter ending	August 31, 2016	August 31, 2015
Net income (loss) for the period	$153,579	$4,250,165
Earnings (loss) per share, basic	$0.006	$1.151
Earnings (loss) per share, diluted	$0.006	$1.116

Production Volume
For the three months ended August 31, 2016, average natural gas sales volumes was Nil mcf/d compared to 65 mcf/d for the same period in 2015. Total production volume for the three months ended August 31, 2016 was Nil mcf compared to 6,023 mcf for the same twelve month period in 2015. Production volume decreased for the three months ended August 31, 2016, as a result of the discontinued operations of 1354166 Alberta.

Commodity Prices
For the three months ended August 31, 2016, average natural gas prices received per mcf was $Nil compared to $3.30 for the three months ended August 31, 2015. Commodity prices decreased during 2016, as a result of the discontinued operations of 1354166 Alberta.

Revenue
Natural gas sales for the three months ended August 31, 2016, was $nil compared to $$15,791 for the three months ended August 31, 2015. Natural gas sales decreased for the three months ended August 31, 2016, as a result of the discontinued operations of 1354166 Alberta.

Operating Costs
For three months ended August 31, 2016, the Company incurred operating costs of $Nil versus operating costs of in the amount of $7,410 for the same three month period ended August 31, 2015. Operating costs decreased during 2016, as a result of the discontinued operations of 1354166 Alberta.

Research, Content Development and Technology Support
For the three months ended August 31, 2016, the Company incurred research, content development and technology support costs of $68,819 compared to $Nil in the prior comparable period in 2015. The increase in research, content development and technology support costs during fiscal 2016 is related to the change in business direction of the Company into technology.

Hosting, Advertising and Technology Services
For the three months August 31, 2016, the Company incurred hosting and technology costs of $5,666 compared to $Nil for the year ended August 31, 2015. The increase in research, content development and technology support costs during fiscal 2016 is related to the change in business direction of the Company into technology.

General and Administrative	For the Three Months Ended August 31,	
	2016	2015
Professional fees	71,488	$31,035
Head office costs	10,500	10,500
Management fees	15,000	(268,750)
Transfer and registrar costs	8,296	3,062
Shareholders information	1,815	-
Office and general costs	4,626	1,631
Directors fees	600	400
Consulting fees and expenses	15,000	16,000
Travel	13,920	-
Rent	3,776	-
Insurance	4,710	-
Total	149,731	$(206,122)

General and administrative expenses for the three months ended August 31, 2016, increased to $149,731 compared to a recovery of $206,122 for the year ended August 31, 2015. For the three months ended August 31, 2016, professional fees were higher by $40,453 to $71,488 compared to $31,035 for the same three month ended in 2015. During fiscal 2016, travel costs were up by $13,920 compared to $Nil in 2015, insurance costs increased by $4,710 compared to $Nil in 2015 and rent increased to $3,776 versus $Nil in the comparable three month period in 2015. These increases were primarily attributed to the acquisition of the DWF Technology. The decrease in general and administrative expenses during the three month period ended August 31, 2015, was primarily attributed to $306,250 of management fees being forgiven versus management fees charged of $15,000 in the current three month period in 2016.

Loss on Foreign Exchange
For the three months ended August 31, 2016, the Company recorded a loss on foreign exchange of $112 versus a loss on foreign exchange of $129,209 for the same three month period in 2015.These foreign exchange gains and losses are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company.

Gain on de-recognition of financial liabilities
During the first quarter 2016, the Company recorded a gain on de-recognition of financial liabilities in the amount of $893,990 relating to the prior obligations of Dyami Energy after its dissolution in the statement of operations. For the three months ended August 31, 2016, the Company reversed the gain on de-recognition and restated the prior obligations of the $893,990 compared to $Nil for the same three month period in 2015. The obligations of $893,990 are included in trade and other payables at August 31, 2016.

Gain/Loss on Derivative Liabilities
For the three months ended August 31, 2016, the Company recorded a gain on derivative liabilities of $Nil compared to a gain on derivative liabilities of $2,904,292 for the three months ended August 31, 2015 as follows:

Derivative Warrant Liabilities
For the three months ended August 31, 2016, the Company recorded a loss on derivative warrant liabilities of $Nil versus a loss on derivative warrant liabilities of $16,119 for the three months ended August 31, 2015.

During fiscal 2015, the Company had warrants issued with an exercise price in US dollars which is different to the functional currency of the Company (Canadian Dollars) and accordingly the warrants are treated as a derivative financial liability and the fair value movement during the period is recognized in the consolidated statement of operations.

Derivative Unit Liabilities
At August 31, 2016, the Company had no derivative unit liabilities. During the three months ended August 31, 2015, the Company recorded a gain on derivative unit liabilities of $2,920,411.

At August 31, 2015, the Company wrote down derivative unit liabilities to fair value being the face value of the Note in the amount of $1,608,149 (US$1,216,175), upon the extinguishment of the Note.

Gain on Expiry of Derivative Liabilities
For the three months ended August 31, 2016, the Company recorded a gain on expiry of derivative liabilities of $Nil versus a gain on expiry of derivative liabilities of $722,664 for the three months ended August 31, 2015. During fiscal 2015, 39,875 warrants expired and the fair value using the Black Scholes option pricing model of $$722,664 was recorded as a gain on expiry of derivative liabilities in the consolidated statement of operations.

Interest
For the three months ended August 31, 2016, the Company incurred interest costs of $Nil versus interest costs of $77,966 for the three months ended August 31, 2015. The decrease in interest for the current quarter in 2016 was attributed to decreases in shareholder loans and secured note payable.

Gain on disposal of subsidiary
For the three months ended August 31, 2016, the Company recorded a gain on disposal of subsidiary in the amount of $Nil versus $615,881 for the same three month period in 2015.

At August 31, 2015, the Company settled a secured convertible note payable with a face value of US$1,216,175 plus interest of US$121,618, totaling US$1,337,793 by conveying all of its rights, title and interest in and to Zavala Inc., and issuing 10,000,000 shares of common stock of the Company. As a result the Company's extinguishment of the Note, the Company's investment in Zavala Inc. had been deconsolidated from the Company's Consolidated Financial Statements as at August 31, 2015 and the Company recorded a gain on disposal of $615,881.

Net Income (Loss) from Continuing Operations
Net income from continuing operations for the three months ended August 31, 2016 was $153,579 versus net income from continuing operations of $4,250,165 for the three months ended August 31, 2015. During the three month period in 2016, the Company recorded a gain on derivative liabilities of $Nil versus a gain of $2,904,292 for the same three month period in 2015. During the three month period ended August 31, 2016, the Company recorded a gain on expiry of derivative warrants in the amount $Nil versus a gain of $722,664 for the same three month period in 2015. The Company incurred increases in general and administrative costs to $149,731 versus a recovery of $206,122 in the prior period in 2015 and increases in research, content development and technology support of $74,485 versus $Nil in 2015.

Net Income from Discontinued Operations
For the three months ended August 31, 2016, net income from discontinued operations was $2,118 versus net income from discontinued operations of $11,146 for the three months ended August 31, 2015.

Net Income (Loss)
Net loss for the three months ended August 31, 2016 was $155,697 compared to net income of $4,250,165 for three months ended August 31, 2015. During the three month period in 2016, the Company recorded a gain on derivative liabilities of $Nil versus a gain of $2,904,292 for the same three month period in 2015. During the three month period ended August 31, 2016 the Company recorded a gain on expiry of derivative warrants in the amount $Nil versus a gain of $722,664 for the same three month period in 2015. In addition, the Company incurred increases in general and administrative costs to $148,078 versus a recovery of $206,122 in the prior period in 2015 and increases in research, content development and technology support of $68,819 versus $Nil in 2015. For the three months ended August 31, 2016, the Company recorded a gain on disposal of subsidiary of $Nil compared to a gain of $615,881 in the comparable period in 2015.

Other Comprehensive Income (Loss) to be Re-Classified
Impairment Loss on Marketable Securities
For the three months ended August 31, 2016, the Company recorded an unrealized loss on marketable securities in the amount of $Nil compared to $57,007 for the same three month period in 2015.

Foreign Currency Translation-Discontinued Operations
For the three months ended August 31, 2016, the Company recorded a loss on foreign currency translation in the amount of $Nil compared to a loss on foreign currency translation of $695,899 for the three months ending August 31, 2015.

Total Other Comprehensive Loss
Total comprehensive loss for the three month period ended August 31, 2016 was $Nil versus $752,906 for the three month period ending August 31, 2015.

Net Income (Loss) and Comprehensive Income (Loss)
Net loss and comprehensive loss for the three months ended August 31, 2016 was $155,697 compared to a net earnings and comprehensive income of $3,508,405 for the three months ended August 31, 2015.

Earnings (Loss) per Share, Basic
Basic earnings per share from continuing operations for the three months ended August 31, 2016, was $0.006 compared to a basic earnings per share from continuing operations of $1.151for the same three month period in 2015.

Basic earnings per share from discontinued operations for the three months ended August 31, 2016 was $Nil versus a basic earnings per share from discontinued operations of $0.004 for the same three month period in 2015.

Total Earnings (Loss) per Share, Basic
Total basic earnings per share for the three months ended August 31, 2016, was $0.006 compared to total basic earnings per share of $1.155 for the same period in 2015.

Earnings (Loss) per Share, Diluted
Diluted earnings per share from continuing operations for the three months ended August 31, 2016, was $0.006 compared to a diluted earnings per share from continuing operations of $1.116 for the same three month period in 2015.

Diluted earnings per share from discontinued operations for the three months ended August 31, 2016 was $Nil versus a diluted earnings per share from discontinued operations of $0.003 for the same three month period in 2015.

Total Earnings per Share, Diluted
Total diluted earnings per share from continuing operations for the three months ended August 31, 2016, was $0.006 compared to a diluted earnings per share from continuing operations of $1.119 for the same three month period in 2015.

CAPITAL EXPENDITURES

For the year ended August 31, 2016, the Company recorded additions to exploration and evaluation assets of $Nil (August 31, 2015: $109,874)

The Company expects that capital expenditures will increase in future reporting periods as the Company seeks further opportunities and ventures of merit in an effort to increase shareholder value.

FINANCING ACTIVITIES

For the year ended August 31, 2016, 518,683 common share purchase warrants were exercised at $1.00 for proceeds of $518,683.

On February 29, 2016, the Company completed a private placement for gross proceeds of $30,000 and issued 100,000 units in the capital of the Company at a purchase price of $0.30 per unit.

Effective November 18, 2015, the Company completed a private placement for gross proceeds of $50,000 and issued 500,000 common shares in the capital of the Company at a purchase price of $0.10 per share.

On August 31, 2016, the Company completed private placements for gross proceeds of $260,000 and issued 236,364 units in the capital of the Company at a purchase price of $1.10 per unit.

For the year ended August 31, 2016, the Company entered into debt conversion agreements and converted debt in the aggregate amount of $1,714,010 through the issuance of share capital.

LIQUIDITY AND CAPITAL RESOURCES

Cash as of August 31, 2016, was $449,983 (August 31, 2015: $32,192). During the year ended August 31, 2016, the Company completed a private placements for gross proceeds of $340,000 and received $518,683 upon the exercise of 518,683 common share purchase warrants.

For the year ended August 31, 2016, the primary use of funds was related to general administrative expenses. The Company's working capital deficiency at August 31, 2016 was $690,649 (August 31, 2015 working capital deficiency: $3,233,160). During the year ended August 31, 2016, the Company converted debt in the aggregate amount of $1,714,010 through the issuance of share capital.

Our current assets of $482,582 as at August 31, 2016 ($93,115 as of August 31, 2015) include the following items: cash $449,983 ($32,192 as of August 31, 2015); other receivables $14,800 ($19,386 as of August 31, 2015); prepaid expenses and deposits $17,799 ($31,937 as of August 31, 2015); and marketable securities of $Nil ($9,600 as of August 31, 2015).

Our current liabilities of $1,173,231 as of August 31, 2016 ($3,326,275 as of August 31, 2015) include the following items: trade and other $1,173,231 ($1,630,809 as of August 31, 2015); derivative liabilities of $Nil ($281,210 as of August 31, 2015); shareholders' loans $Nil ($339,588 as of August 31, 2015); loans payable of $Nil ($1,063,105 as of August 31, 2015); and provisions of $Nil ($11,563 as of August 31, 2015).

At August 31, 2016, the Company had outstanding 5,384,165 common share purchase warrants exercisable at $1.00 per share, 1,605,190 common share purchase warrants exercisable at $0.35 and 236,364 common share purchase warrants exercisable at $1.25 per share. If any of these common share purchase warrants are exercised, it would generate additional capital for us.

Management of the Company recognizes that cash flow from operations is not sufficient meet its working capital requirements or fund additional opportunities or ventures of merit. The Company has liquidity risk which necessitates the Company to obtain debt financing or raise additional equity. There is no assurance the Company will be able to obtain the necessary financing in a timely manner.

The Company's past primary source of liquidity and capital resources has been proceeds from the issuance of share capital, shareholders' loans and cash flow from oil and gas operations If the Company issued additional common shares from treasury it would cause the current shareholders of the Company dilution.

Outlook and Capital Requirements
We anticipate further expenditures to expand our current business plan. Amounts expended on future opportunities and ventures of merit is dependent on the nature of the opportunities evaluated by us. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by us, or by other means. Our long-term

PROVISIONS	Decommissioning Obligations
Balance, August 31, 2014	$47,543
Accretion expense	1,498
Change in estimates	(11,253)
Additions	98,357
Obligations settled	(205)
Disposal of Zavala Inc.	(102,143)
Foreign exchange	(22,234)
Balance, August 31, 2015	11,563
Disposal of 1354166 Alberta	(11,563)
Balance, August 31, 2016	$-

The Company's prior decommissioning obligations resulted from its ownership interests in petroleum and natural gas assets. The decommissioning obligations were based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future years.

Secured Note Payable
As at August 31, 2014, the Company had a secured convertible promissory note payable to Benchmark Enterprises LLC. ("Benchmark") with a face value of $1,322,347 (US$1,216,175) with an interest rate of 10% (the "Note"). The Note was being accreted up to its face value over the life of Note, based on an effective interest rate. For the year ended August 31, 2015, the Company recorded interest on the Note of $154,179. The Note was due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Company of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default. The Note was secured by all of the assets of the Company and Zavala Inc. Benchmark had the option at any time while the Note was outstanding to convert any unpaid principal and accrued interest into conversion units.

In accordance with the terms of the Note and the General Security Agreement (the "Loan Agreements") the Company had granted and conveyed to Benchmark a first priority security interest in the Company and Zavala Inc., prior and superior to the rights of all third parties existing on or arising after the date of such Loan Agreements, subject to the Permitted Liens.

At August 31, 2015, the Company was unable to pay the Note due in the amount CDN$1,608,149 plus interest of CDN$154,179, totaling CDN$1,762,328, which constituted an event of default pursuant to the terms of the Loan Agreements. Benchmark, having made demand for payment of all amounts owed to it under the Note, gave notice to the Company that it intended to exercise its security on the Company's assets. In an effort to avoid further costs, the Company and Benchmark entered into a Settlement and Exercise of Security Agreement effective August 31, 2015, with the following terms:

1. Effective August 31, 2015, the Company assigns and conveys to Benchmark all of its rights, title and interest in and to Zavala Inc., including but not limited to all of the issued and outstanding common shares of Zavala Inc.; and
2. Issuance of 1,000,000 shares of common stock of the Company.

As a result the Company's extinguishment of the Note, the Company's investment in Zavala Inc. had been derecognized from the Company's Consolidated Financial Statements as at August 31, 2015. The fair value of the common shares was determined to be equal to the fair value of the secured note settled.

The following table presents the effect of the extinguishment of the Note on the Consolidated Financial Statements of the Company:

	August 31, 2015
Secured note payable settled	$1,608,149
Interest payable settled	154,179
Net assets and liabilities of Zavala Inc. transferred	(836,717)
Common shares issued	(925,611)
	$-

Shareholder Loans
As at August 31, 2016, the Company had shareholders' loans payable of $Nil (August 31, 2015: $339,588). For the year ended August 31, 2016, the Company recorded interest of $Nil on shareholders' loans (August 31, 2015: $86,611). As at August 31, 2016 included in trade and other payables, is interest on shareholders' loans of $Nil (August 31, 2015: $86,848).

Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 1,475,712 units in the capital of the Company at a price of $0.80 per unit. Each unit was comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$1.00 until August 30, 2017 (the "Units"). The fair value of the Units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as loss on settlement of debt. The terms of the August 30, 2014, conversion agreements contained an anti-dilution provision such that if within 18 months of this the effective date, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than CDN$0.80 (the "Adjusted Price") the Holder herein shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price. During the reporting periods August 31, 2015 and 2014, the Company had determined that based on the market price of the Company's common shares being greater than the Unit issue price per share, no additional common shares were required to be fair valued and recorded as a derivative liability.

Effective November 18, 2015, the Company issued a total of 10,329,983 Units in the capital of the Company pursuant to the Adjusted Price. The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock. The fair value of the units of $6,896,800 was allocated to the common shares in the amount of $5,034,157 and warrants in the amount of $1,862,643 based on their relative fair values and $6,896,800 was recognized as a loss on settlement of debt in the statement of operations. Significant assumptions utilized in the Binomial Lattice process for the warrant component of the conversion were as follows:

	November 18, 2015
Market value on valuation date	$0.67
Contractual exercise rate	$1.00
Term	1.79 Years
Expected market volatility	183.30%
Risk free rate using zero coupon US Treasury Security rate	0.90%

Loans Payable
As at August 31, 2016, the Company had loans payable of $Nil (August 31, 2015: $1,063,105). For the year ended August 31, 2016, the Company recorded interest on the loans payable of $4,945. As at August 31, 2016, included in trade and other payables, is interest of $Nil (August 31, 2015: $15,619). The loans were payable on demand with interest at 10% per annum. Effective November 18, 2015, the Company entered into shares for debt conversion agreements and converted loans and interest due in the aggregate amount of $899,660 through the issuance of 6,800,680 common shares in the capital of the Company. The fair value of the common shares $4,540,474 was allocated to common shares and $3,640,814 was recorded as loss on settlement of debt in the consolidated statement of operations.

On February 29, 2016, the Company entered into asset purchase and debt settlement agreement and converted loans and interest in the aggregate amount of $277,473 in exchange for the Company's 0.03% net smelter return royalty on 8 mining claim blocks located in Red Lake, Ontario which were carried on the consolidated statement of financial position at $Nil. Accordingly, the Company recorded a gain on settlement of debt for the full amount.

Debt Conversion
On February 29, 2016, the Company entered into shares for debt conversion agreements and converted debt in the aggregate amount of $451,557 through the issuance of 1,505,190 units in the capital of the Company. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $0.35 until March 1, 2019. The fair value of the Units $1,220,709 was allocated to common shares in the amount of $638,295 and warrants in the amount of $582,414 based on their relative fair values and $769,152 was recognized as a loss on extinguishment of debt in the consolidated statement of operations. The units are subject to the terms and conditions of a Lock-up and Leak-out Agreement.

Under the terms of Lock-up and Leak-out Agreement the Holder may not offer, sell, contract to sell, grant any option to purchase, hypothecate, pledge or otherwise dispose of or transfer title to any of the Purchase Price Shares during the period commencing on the February 29, 2016 and ending on November 30, 2016 (the "Lockup Period"). During the 12 month period following the Lockup Period, if Holders sales are less than 25% in any such three month period, the unsold portion shall carry forward into the next three month period (the "Lock-up and Leak-out Agreement"). Significant assumptions utilized in the Binomial Lattice process for the warrant component of the conversion were as follows:

	February 29, 2016
Market value on valuation date	$0.81
Contractual exercise rate	$0.35
Term (years)	3 Years
Expected market volatility	169.73%
Risk free rate using zero coupon US Treasury Security rate	0.91%

DERIVATIVE LIABILITIES

At August 31, 2016, the Company recorded a gain on the fair value movement of derivative warrant liabilities of $Nil (August 31, 2015: a gain on derivative liabilities of $2,653,591 comprised of a loss on derivative warrant liabilities of $214,109 and a gain derivative unit liabilities of $2,867,700) (August 31, 2014: loss of $2,735,476 comprised of a loss on derivative warrant liabilities of $57,725 and a loss on derivative unit liabilities of $2,677,751).

At August 31, 2016, the Company recorded a gain on expiry of derivative warrant liabilities of $281,210 (August 31, 2015: $1,258,206; August 31, 2014 $709,299).

Derivative Warrant Liabilities

As at August 31, 2016, the Company had derivative warrant liabilities of $Nil (August 31, 2015: $281,210). The Company had warrants issued with an exercise price in US dollars which are different from the functional currency of the Company and accordingly the warrants were treated as a financial liability. The fair value movement during the periods were recognized in the profit or loss.

The following table set out the changes in derivative warrant liabilities during the respective periods.

	Number of Warrants	Fair Value Assigned $	Average Exercise Price $
As at August 31, 2013	91,476	1,976,883	US 47.20
Warrants expired	(17,093)	(709,299)	(9.30)
Change in fair value estimates	-	57,723	-
As at August 31, 2014	74,383	1,325,307	US 37.40
Warrants expired	(61,335)	(1,258,206)	US (46.66)
Change in fair value estimates	-	214,109	-
As at August 31, 2015	13,048	281,210	US 46.66
Warrants expired	(13,048)	(281,210)	US (46.66)
Warrants issued	1,750,000	-	CDN 1.50
As at August 31, 2016	**1,750,000**	**-**	**CDN 1.50**

On August 31, 2014, 17,093 warrants exercisable at US$50.00 expired and the fair value measured using the Black-Scholes option pricing model of $709,299 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On April 13, 2015, 18,750 and 3,000 warrants exercisable at US$50.00 and US$25.00, respectively expired and the fair value measured using the Black-Scholes option pricing model of $535,542 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On July 20, 2015, 9,125 and 1,460 warrants exercisable at US$50.00 and US$25.00, respectively expired and the fair value measured using the Black-Scholes option pricing model of $194,409 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On August 7, 2015, 25,000 and 4,000 warrants exercisable at US$50.00 and US$25.00, respectively expired and the fair value measured using the Black-Scholes option pricing model of $528,255 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On September 25, 2015, 11,249 and 1,799 warrants expired exercisable at US$50.00 and US$25.00, respectively expired and the fair value measured using the Black-Scholes option pricing model of $281,210 was recorded as a gain on expiry of derivative liabilities on the consolidated statement of operations.

On June 22, 2016, the Company entered into a consulting agreement and issued 1,750,000 common share purchase warrants exercisable at CDN $1.50 with a cashless exercise option, vesting on October 1, 2016, January 1, 2017, April 1, 2017 and July 1, 2017 and expiring June 21, 2021. At August 31, 2016, the Company determined that it would not continue with the agreement and it was subsequently suspended. Accordingly, the Company determined that as a result of no warrants exercised, no liability was recorded and subsequent to the year end the agreement was mutually terminated and no warrants were exercised.

The following table sets out the number of derivative warrant liabilities outstanding as at August 31, 2016, 2015 and 2014, respectively:

Number of Warrants 2016	Exercise Price CDN ($)	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
1,750,000	1.50	January 15, 2017	0.13	-

Number of Warrants 2015	Exercise Price US ($)	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
11,249	50.00	September 25, 2015	0.07	220,640
1,799	25.00	September 25, 2015	0.07	60,570
13,048			**0.07**	**281,210**

Number of Warrants 2014	Exercise Price US ($)	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
18,750	5.00	April 13, 2015	0.62	365,474
3,000	2.50	April 13, 2015	0.62	99,420
9,125	5.00	July 20, 2015	0.88	133,431
1,460	2.50	July 20, 2015	0.88	35,915
25,000	5.00	August 7, 2015	0.93	365,964
4,000	2.50	August 7, 2015	0.93	94,188
11,249	5.00	September 25, 2015	1.07	181,178
1,799	2.50	September 25, 2015	1.07	49,737
74,383			0.70	1,325,307

Derivative Unit Liabilities

As at August 31, 2016 and 2015, the Company had no derivative unit liabilities (August 31, 2014: $4,000,100). At August 31, 2014, the Company issued a face value $1,322,347 (US$1,216,175) Secured Convertible Promissory Note which gave rise to a derivative financial instrument (the "Note"). The Note had embodied certain terms and conditions that were not clearly and closely related to the host debt agreement in terms of economic risks and characteristics and met the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". These terms and conditions consisted of a conversion unit which was comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The Company had selected the Binomial Lattice model to fair value the warrant component of the conversion unit and the Monte Carlo Simulations process for the common share component contained in the conversion unit.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SEGMENTED INFORMATION

The Company's reportable and geographical segments are Canada and previously the United States. The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Effective August 31, 2015, the Company discontinued its reportable segment in the United States. The following tables show information regarding the Company's reportable segments.

For the year ended August 31, 2016	**Canada $**	**United States $**	**Total $**
Net loss, continuing operations	(13,534,298)	-	(13,534,298)
Net income (loss), discontinued operations	8,731	(6,020)	2,711
Net loss	(13,525,567)	(6,020)	(13,531,587)

For the year ended August 31, 2015	Canada $	United States $	Total $
Net income, continuing operations	3,325,649	-	3,325,649
Net loss, discontinued operations	-	(4,762,461)	(4,762,461)
Net loss	3,325,649	(4,762,461)	(1,436,812)

For the year ended August 31, 2014	Canada $	United States $	Total $
Net loss, continuing operations	(5,405,678)	-	(5,405,678)
Net loss, discontinued operations	-	(608)	(608)
Net loss	(5,405,678)	(608)	(5,406,286)

As at August 31, 2016	**Canada $**	**United States $**	**Total $**
Total Assets	482,582	-	482,582
Total Liabilities	(1,173,231)	-	(1,173,231)

As at August 31, 2015	Canada $	United States $	Total $
Total Assets	93,115	-	93,115
Total Liabilities	(3,326,275)	-	(3,326,275)

As at September 1, 2014	Canada $	United States $	Total $
Total Assets	179,888	5,117,040	5,296,928
Total Liabilities	(6,991,287)	(1,025,076)	(8,016,363)

RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the amount agreed to by the related parties.

Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the periods set out were as follows:

	August 31, 2016	August 31, 2015	August 31, 2014
Short term employee benefits (1)	$60,000	$150,000	$75,000
Stock based compensation (2)	615,924	84,520	-
	$675,924	$234,520	$75,000

The following balances owing to the former President of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	August 31, 2016	August 31, 2015
Short term employee benefits payable (1)	$40,000	$125,000
	$40,000	$125,000

(1) During the year ended August 31, 2015, the Company accrued management fees for the former President of the Company at a rate of $12,500 per month. On August 31, 2015, the former President forgave $306,250 of management fees. Commencing September 1, 2015, the Company accrued management fees for the former President of the Company at a rate of $5,000 per month. On February 26, 2016, the former President assigned $145,000 of management fees to an arms-length third party.

(2) On November 12, 2014, the Company granted options to purchase 75,000 common shares to three directors and on April 1, 2016, the Company granted options to purchase 300,000 common shares to a director.

As at August 31, 2016, the amount of outstanding directors' fees included in trade and other payables was $7,100 (August 31, 2015: $21,600). On February 29, 2016, Mr. Klyman, a former director of the Company agreed to convert outstanding directors' fees due of $7,400 into 24,667 units of the Company.

As at August 31, 2016, the Company had a promissory note payable to the former President of the Company of $Nil (August 31, 2015: $10,000). For the year ended August 31, 2016, the Company recorded interest on the promissory note of $496 (August 31, 2015: $838). As at August 31, 2016, included in trade and other payables is outstanding interest of $Nil (August 31, 2015: $111,009). On February 26, 2016, the former President assigned the promissory note of $10,000 and all interest due in the amount of $113,844 to an arms-length third party. The note was due on demand at a rate of 10% per annum. Effective November 18, 2015, the Company issued to the former President 1,140,090 Units in the capital of the Company pursuant to the anti-dilution provision contained in the August 30, 2014, debt conversion agreements. On February 29, 2016, the former President converted $38,239 in outstanding debt into 127,462 units in the capital of the Company.

As at August 31, 2016, the Company had a note payable to Core Energy Enterprises Inc. ("Core") of $Nil (August 31, 2015: $329,588 (US$249,250). For the year ended August 31, 2016, the Company recorded interest on the promissory note of $Nil (August 31, 2015: $32,958). As at August 31, 2016, included in trade and other payables, is interest of $Nil (August 31, 2015: $$33,049). Effective November 18, 2015, the Company entered into a shares for debt conversion agreement and converted a note and interest due in the aggregate amount of $362,793 through the issuance of 2,742,430 common shares in the capital of the Company. The fair value of the common shares $1,830,983 was recorded as an increase to common shares and $1,468,190 was recorded as a loss on settlement of debt in the statement of operations. The former President of the Company is a major shareholder, officer and a director of Core.

NATURE OF BUSINESS AND GOING CONCERN

Intelligent Content Enterprises Inc., (formerly: Eagleford Energy Corp.) was amalgamated under the Business Corporations Act (*Ontario)* on November 30, 2009 ("ICE" or the "Company"). The Company filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. Through the Company's wholly owned Ontario subsidiary DoubleTap Daily Inc., (formerly: Digital Widget Factory Inc.) the Company is developing an online management and advertising platform that powers user and advertising engagement programs in real-time to desktop, mobile and portable devices (http://doubletap.co). Effective January 20, 2017, DoubleTap disposed of its investment in the Acquired Assets of Digital Widget Factory Inc., a Belize company.

The Company's registered office is located at 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1. The Company's common shares trade on the OTCQB under the symbol ICEIF and on the Canadian Securities Exchange under the symbol ISP. The Company's common shares are widely held.

The consolidated financial statements include the accounts of ICE, the legal parent, together with its wholly-owned subsidiaries, Ice Studio Productions Inc., incorporated in the Province of Ontario on June 16, 2016 ("ICE Studio") and DoubleTap Daily Inc. incorporated in the Province of Ontario on February 29, 2016, ("DoubleTap").

Effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta Ltd., a company operating in the province of Alberta ("1354166 Alberta"). The Company's former subsidiaries, Eagleford Energy, Zavala Inc., a Nevada company ("Zavala Inc."), and its' wholly owned subsidiary EEZ Operating Inc., a Texas company ("EEZ Operating") were disposed of effective August 31, 2015 and Dyami Energy LLC., a Texas company ("Dyami Energy") was dissolved effective April 3, 2014.

These consolidated financial statements (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of developing its advertising platform and has not yet realized profitable operations. Previously the Company was an Exploration and Evaluation company with interests in Alberta, Canada and Texas, USA. The Company requires additional financing for its working capital and for the costs of development, content creation and marketing of its platform.

Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, or other means of funding its operations, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

The Company has accumulated significant losses and negative cash flows from operations in recent years which raise doubt as to the validity of the going concern assumption. As at August 31, 2016, the Company has working capital deficiency of $690,649 (2015: working capital deficiency $3,233,160) and an accumulated deficit of $29,587,246 (2015: $16,055,659). These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. The consolidated financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying Consolidated Financial Statements.

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 interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"). The policies applied in these Consolidated Financial Statements are based on IFRS issued and outstanding as of January 1, 2016. The Board of Directors approved the Consolidated Financial Statements on March 13, 2017.

Basis of Measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

Functional and Presentation Currency

The functional and presentation currency of the parent ICE and its wholly owned subsidiaries ICE Studio and DoubleTap is Canadian dollars. The functional currency of the Company's former wholly-owned subsidiaries, Zavala Inc., EEZ Operating and Dyami Energy was United States dollars.

Use of Estimates and Judgements
The preparation of the Consolidated Financial Statements in accordance with IFRS requires that management make estimates and assumptions and use judgment regarding the measured amounts of assets, liabilities and contingent liabilities at the date of the Consolidated Financial Statements and reported amounts of revenue and expenses during the reporting period. Such estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Consolidated Financial Statements are:

Going Concern
The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is an uncertainty regarding the Corporation's ability to continue as a going concern.

Fair value of financial instruments
The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Fair Value of Derivative Liabilities
The Company is exposed to risks related to changes in its share prices, foreign exchange rates, interest rate and volatility rates used to determine the estimated fair value of its derivative liabilities. In the determination of the fair value of these instruments, the Company utilizes certain independent values and, when not available, internal financial models which are based primarily on observable market data. Management's judgment is required in the development of these models. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, discount rates and dividend yield.

Settlement of Debt with Equity Instruments
Equity instruments issued to a creditor to extinguish a financial liability are measured at the fair value of the equity instruments at the date the financial liability is extinguished. The Company estimates the fair value of warrants using the Binomial Lattice pricing model and further assumptions including the expected life, volatility, discount rates and dividend yield. The fair value of the units comprising shares and warrants issued in connection with the extinguishment of a financial liability are then prorated to the total market value of the common shares.

Fair Value of Stock Based Compensation and Warrants
In determining the fair value of share based payments the calculated amounts are not based on historical cost, but is derived based on assumptions (such as the expected volatility of the price of the underlying security, expected hold period before exercise, dividend yield and the risk-free rate of return) input into a pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options and compensation warrants before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period; dividend yield; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or compensation warrants and they are not transferable. Similar calculations are made in estimating the fair value of the warrant component of an equity unit. The assumptions used in these calculations are inherently uncertain. Changes in these assumptions could materially affect the related fair value estimates.

CORRECTION OF PRIOR PERIOD ERRORS

a) Following a settlement entered into regarding an asset acquisition entered effective February 29, 2016, the Company then determined it was required to correct a prior period error for accounting purposes under IAS 8 as discussed below.

The Company negotiated an Asset Purchase Agreement to be effective February 29, 2016, with an expectation to acquire the net assets (the "Acquired Assets") of Digital Widget Factory Inc., a Belize company (the "Vendor"), in an all-stock transaction by issuing 12,500,000 common shares and 5,750,000 Series A preferred shares of ICE to the Vendor (the "Transaction"). On this basis the proposed Series A preferred shares would be convertible into units of ICE with each unit comprised of 1 common share and 1 common share purchase warrant entitling the holder to acquire an additional common share of ICE for $0.35 for up to 3 years (the common shares and the preference shares are hereafter referred to as the "Proposed Purchase Price Shares").

The essential components of the proposed Acquired Assets are an intelligent content platform technology developed by Digital Widget Factory Inc. and a series of related websites under the url digiwdgy.com (the "DWF Technology"). The fair value of the Transaction was estimated at $9,530,250 and to be paid through the issuance by the Company of the Proposed Purchase Price Shares. The purchase price allocation to the fair value of the assets recorded as at February 29, 2016 was as follows:

Consideration:		
Fair Value of Issuance of 12,500,000 common shares	$	5,071,125
Fair Value of Issuance of 5,750,000 Series A preferred shares		4,459,125
Total consideration	$	9,530,250
Allocated to:		
Intangible assets-technology	$	9,530,250
Transaction Costs:		
Financial advisory, legal and other expenses	$	30,550

Subsequent to February 29, 2016, the Company management came to the conclusion that certain representations and warranties made by the Vendor pursuant to the DWF Agreement were conceivably deficient and would not survive the one year period of Indemnification. Management contends that if the Company had this information as at February 29, 2016, management would not have likely completed the transaction and the Proposed Purchase Price Shares would not have been issued. On November 24, 2016, the Company advanced a Notice of Claim to the Vendor under the DWF Agreement.

On December 22, 2016, it was agreed that all disputed matters contained in the DWF Agreement, be resolved in a Settlement Agreement whereby the Company agreed to return the Acquired Assets to the Vendor and the Vendor agreed to return the Proposed Purchase Price Shares paid back to the Company such that best efforts were made so that each party be in the same or similar position it was as at February 29, 2016 had the Transaction not occurred.

The Settlement Agreement closed effective January 20, 2017, when the Vendor returned to the Company the Proposed Purchase Price Shares comprised of 12,500,000 common shares and 5,750,000 Series A preferred shares previously issued to the Vendor and a full and final release in favor of the Company in respect of all obligations under the DWF Agreement. The Proposed Purchase Price Shares have been cancelled in the capital stock of the Company and the Company no longer has any interest in the DWF Technology and the series of digiwidgy.com websites. The correction of the Prior Period Error are described in detail as follows:

Unaudited Interim Condensed Consolidated Statements of Financial Position February 29, 2016	As Previously Reported	Impact of Prior Period Error Restatement	Notes	As Restated
Intangible assets	9,530,250	(9,530,250)	A	-
Common shares	(26,652,104)	5,042,925	B	(21,609,179)
Preferred shares	(4,459,125)	4,459,125	C	-
Accumulated deficit	30,822,909	28,200	D	30,851,109
Shareholders' equity	9,415,118	(9,530,250)	E	(115,132)

Unaudited Interim Condensed Consolidated Statements of Financial Position May 31, 2016	As Previously Reported	Impact of Prior Period Error Restatement	Notes	As Restated
Intangible assets	9,530,250	(9,530,250)	A	-
Common shares	(27,413,109)	5,040,575	B	(22,372,534)
Preferred shares	(4,459,125)	4,459,125	C	-
Accumulated deficit	31,675,662	30,550	D	31,706,212
Shareholders' equity	9,624,622	(9,530,250)	E	94,372

Unaudited Interim Condensed Consolidated Statements of Operations

	Three months ended February 29, 2016				Six months ended February 29, 2016		
	As Previously Reported	**Impact of Prior Period Error Restatement**	**As Restated**	**Notes**	**As Previously Reported**	**Impact of Prior Period Error Restatement**	**As Restated**
General and administrative, legal fees	76,187	28,200	104,387	F	139,762	28,200	167,962
Net loss from continuing operations	(497,464)	(28,200)	(525,664)	G	(12,804,574)	(28,200)	(12,832,774)
Net loss	(494,140)	(28,200)	(522,340)	G	(12,799,745)	(28,200)	(12,827,945)
Net loss and comprehensive loss	(494,140)	(28,200)	(522,340)	G	(12,689,220)	(28,200)	(12,717,420)
Loss per share, basic - continuing operations	$(0.020)	$(0.002)	$(0.022)	H	$(0.827)	$(0.005)	$(0.832)
Weighted average shares outstanding, basic	24,295,732	(137,363)	24,158,369	H	15,486,905	(68,661)	15,418,224

Unaudited Interim Condensed Consolidated Statements of Operations

	Three months ended May 31, 2016				Nine months ended May 31, 2016		
	As Previously Reported	**Impact of Prior Period Error Restatement**	**As Restated**	**Notes**	**As Previously Reported**	**Impact of Prior Period Error Restatement**	**As Restated**
General and administrative, legal fees	99,816	2,350	102,166	F	239,578	30,550	270,128
Net loss from continuing operations	(852,752)	(2,350)	(855,102)	G	(13,657,327)	(30,550)	(13,687,877)
Net loss	(852,752)	(2,350)	(855,102)	G	(13,652,498)	(30,550)	(13,683,048)
Net loss and comprehensive loss	(852,752)	(2,350)	(855,102)	G	(13,541,973)	(30,550)	(13,572,523)
Loss per share, basic - continuing operations	$(0.022)	$(0.011)	$(0.033)	H	$(0.589)	$(0.134)	$(0.723)
Weighted average shares outstanding, basic	38,290,886	(12,500,000)	25,790,886	H	23,173,585	(4,242,701)	18,930,884

Notes

A) The Company recorded a Prior Period Error of $9,530,250 as an increase to intangible assets on the Unaudited Interim Condensed Consolidated Statements of Financial Position for the period ended February 29, 2016 and May 31, 2016.

B) The Company recorded a Prior Period Error of $5,040,575 as an increase to common shares on the Unaudited Interim Condensed Consolidated Statements of Financial Position for the period ended February 29, 2016 and May 31, 2016.

C) The Company recorded a Prior Period Error of $4,459,125 as an increase to preferred shares on the Unaudited Interim Condensed Consolidated Statements of Financial Position for the period ended February 29, 2016 and May 31, 2016.

D) As a result of the Prior Period Error, the Company reallocated legal fees of $28,200 and $30,550 from common shares and increased accumulated deficit on the Unaudited Interim Condensed Consolidated Statements of Financial Position for the period ended February 29, 2016 and May 31, 2016, respectively.

E) As a result of the Prior Period Error the Company's shareholders' equity has been decreased by $9,530,250.

F) As a result of the Prior Period Error, the Company reallocated legal fees of $28,200 and $30,550 as an increase to general and administrative costs on the Unaudited Interim Condensed Consolidated Statements of Operations for the period ended February 29, 2016 and May 31, 2016, respectively.

G) As a result of the increases of $28,200 and $30,550 to general and administrative costs the Company recorded a corresponding increase in net loss from continuing operations, net loss and net loss and comprehensive loss on the Unaudited Interim Condensed Consolidated Statements of Operations for the period ended February 29, 2016 and May 31, 2016,respectively.

H) As a result of the above increases to net loss, the Company recorded an increase to net loss per share for the three and six months ended February 29, 2016, of $(0.002) and $(0.005) and for the three and nine months ended May 31, 2016, the Company recorded an increase to net loss per share of $(0.11) and $(0.134), respectively. Weighted average shares were reduced for each period as set out above.

b) During the year ended August 31, 2016, the Company corrected the accounting for prior period errors as noted below. As a result certain amounts have been re-stated from 2015 and 2014 to reflect these changes. The previously issued audited consolidated financial statements for the year ended August 31, 2015 and 2014 and the unaudited interim condensed consolidated financial statements for the quarters ending November 30, 2014, February 28, 2015 and May 31, 2015 (the "Affected Statements") have not been restated. The Company has restated the opening statement of financial position at September 1, 2014 and the audited consolidated financial statements for the year ended August 31, 2015. Readers of the Affected Statements are cautioned that they should be read in conjunction with audited consolidated financial statements. The prior period error is described in detail as follows:

During the fiscal year ended August 31, 2014 and 2015 17,092 warrants valued at $709,299 and 61,335 warrants valued at $1,258,206 expired and were accounted for incorrectly in equity as an increase to contributed surplus. Since these warrants were classified as derivative warrant liabilities on the Company's statement of financial position at the initial date of the transaction, expiry would be considered an extinguishment of the liability in accordance with IAS39 and any gain or loss recognized in the statement of operations in the period the warrants expired. The Company has corrected these errors retrospectively by recognizing the gains on expiry of the warrant liability in the statement of operations in 2014 and 2015 as noted below. The impact of these changes on the financial statements are set out as follows:

Consolidated Statements of Financial Position August 31, 2015	As Previously Reported	Impact of Restatement	Note	As Restated
Contributed surplus	3,829,105	(1,967,505)	A	1,861,600
Deficit	(18,023,164)	1,967,505		(16,055,659)
Total shareholders' equity (deficiency)	(3,233,160)	-		(3,233,160)

Consolidated Statements of Financial Position August 31, 2014	As Previously Reported	Impact of Restatement	Note	As Restated
Contributed surplus	1,389,898	(709,299)	B	680,599
Deficit	(15,328,146)	709,299		(14,618,847)
Total shareholders' equity (deficiency)	(2,719,435)	-		(2,719,435)

Consolidated Statements of Operations For the year ended August 31, 2015	As Previously Reported	Impact of Restatement	Note	As Restated
Gain on expiry of derivative liabilities	-	1,258,206	C	1,258,206
Net income from continuing operations	2,067,443	1,258,206		3,325,649
Net loss	(2,695,018)	1,258,206		(1,436,812)

Consolidated Statements of Operations For the year ended August 31, 2014	As Previously Reported	Impact of Restatement	Note	As Restated
Gain on expiry of derivative liabilities	-	709,299	D	709,299
Net loss from continuing operations	(6,114,977)	709,299		(5,405,678)
Net loss	(6,115,585)	709,299		(5,406,286)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency) For the year ended August 31, 2015	As Previously Reported	Impact of Restatement	Note	As Restated
Contributed surplus	3,829,105	(1,967,505)	E	1,861,600
Deficit	(18,023,164)	1,967,505		(16,055,659)
Total shareholders' equity (deficiency)	(3,233,160)	-		(3,233,160)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency) For the year ended August 31, 2014	As Previously Reported	Impact of Restatement	Note	As Restated
Contributed surplus	1,389,898	(709,299)	F	680,599
Deficit	(15,328,146)	709,299		(14,618,847)
Total shareholders' equity (deficiency)	(2,719,435)	-		(2,719,435)

Consolidated Statements of Cash Flows For the year ended August 31, 2015	As Previously Reported	Impact of Restatement	Note	As Restated
Cash provided by (used in)				
Operating activities				
Net loss	(2,695,018)	1,258,206	G	(1,436,812)
Gain on expiry of derivative liabilities	-	(1,258,206)		(1,258,206)
Net cash used in operating activities	(723,687)	-		(723,687)

Consolidated Statements of Cash Flows For the year ended August 31, 2014	As Previously Reported	Impact of Restatement	Note	As Restated
Cash provided by (used in)				
Operating activities				
Net loss	(6,115,585)	709,299	H	(5,406,286)
Gain on expiry of derivative liabilities	-	(709,299)		(709,299)
Net cash used in operating activities	(188,911)	-		(188,911)

Notes

A) During the year ended August 31, 2015, 52,875 and 8,460 derivative warrants expired and $1,258,206 that had been recorded as an increase to contributed surplus has been reallocated as a decrease in deficit on the Consolidated Statements of Financial Position.

B) During the year ended August 31, 2014, 17,092 derivative warrants expired and $709,299 was previously recorded as an increase to contributed surplus has been reallocated as an decrease to deficit on the Consolidated Statements of Financial Position.

C) During the year ended August 31, 2015, 52,875 and 8,460 derivative warrants expired and $1,258,206 was recorded as a gain on expiry of derivative warrants on the Consolidated Statements of Operations.

D) During the year ended August 31, 2014, 17,092 derivative warrants expired and $709,299 was recorded as a gain on expiry of derivative warrants on the Consolidated Statements of Operations.

E) During the year ended August 31, 2015, 52,875 and 8,460 derivative warrants expired and $1,258,206 that had been recorded as an increase to contributed surplus has been reallocated as a decrease to deficit on the Consolidated Statements of Changes in Shareholders' Equity (Deficiency).

F) During the year ended August 31, 2014, 17,092 derivative warrants expired and $709,299 that had been recorded as an increase to contributed surplus has been reallocated as a decrease to deficit on the Consolidated Statements of Changes in Shareholders' Equity (Deficiency).

G) During the year ended August 31, 2015, the Company recorded a decrease of $1,258,206 in net loss on the Consolidated Statements of Cash Flows.

H) During the year ended August 31, 2014, the Company recorded a decrease of $709,299 in net loss on the Consolidated Statements of Cash Flows.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of the subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the Consolidated Financial Statements. The consolidated financial statements include the accounts of the Company, the legal parent, together with its wholly-owned subsidiaries, Ice Studio and DoubleTap.

Revenue Recognition

Revenue is recognized when there is persuasive evidence that an arrangement exits which is when a contract or sales order is signed by both parties, delivery has occurred, ownership has been transferred to the customer, price is fixed or determinable and ultimate collection is reasonably assured at the time of delivery.

Revenues from the production of oil and gas properties from 1354166 Alberta were recognized, on the basis of the Company's working interest in those properties, when the significant risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes to an external party.

Foreign Currency

Items included in the consolidated financial statements of each of the Company's wholly owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in profit or loss.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the year- end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the foreign currency translation reserve under other comprehensive income.

Earnings (Loss) per Share

The basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The diluted earnings per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net income (loss) applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation.

Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Effective August 31, 2015, the Company assigned all of its right, title and interest in Zavala Inc., as partial settlement of a secured convertible note payable and effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta and accordingly their operations have been treated as discontinued operations.

Financial Instruments

Classification and Measurement

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit and loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "other financial liability" as defined by IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at “fair value through profit or loss” and are measured at fair value with changes in fair value recognized in the statement of operations. Transaction costs are expensed when incurred. The Company has classified cash and derivative liabilities as “fair value through profit and loss”.

Financial instruments classified as “loans and receivables”, “held-to-maturity”, or “financial liabilities” are measured at amortized cost using the effective interest rate method of amortized cost. “Loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. “Held-to-maturity” financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity.

“Other financial liabilities measured at amortized cost” are those financial liabilities that are not designated as “fair value through profit or loss”. The Company has classified trade and other payables, loans payable, provisions and shareholders' loans as “other financial liabilities”.

Financial assets classified as “available-for-sale” are measured at fair value, with changes in fair value recognized in other comprehensive income. The Company has classified its marketable securities as “available for sale”.

Cash

Cash in the statement of financial position comprise cash held in banking institutions.

Marketable Securities

At each financial reporting period, the Company estimates the fair value of investments which are available-for-sale, which could be based on quoted closing bid ask spread prices or other measures for unquoted instruments. Adjustments to the fair value of the marketable securities at the financial position date are recorded to other comprehensive income until re-classified to the statement of operations.

Derivative Financial Instruments

The Company's derivative instruments consist of derivative liabilities in relation to its i) anti-dilution units issued; and ii) its previous secured convertible note payable; and iii) share purchase warrants with a US Dollar exercise price.

i) The Company has issued Units that contain an anti-dilution provision such that if within 18 months of the issue date, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than issue price (the “Adjusted Price”) the Holder shall be entitled to receive (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under the agreement will equal the number of Units that the Holder would otherwise be entitled to receive had the transaction occurred at the Adjusted Price. The anti-dilution provision is considered a derivative and requires fair value measurement at each reporting period. During the reporting periods August 31, 2016, 2015 and 2014 the Company determined that based on the market price being greater than the issue price per share, no additional common shares were required to be fair valued and recorded as a derivative liability.

ii) The Company had a secured convertible note payable that had a conversion feature which could convert any unpaid principal and accrued interest into conversion units. A conversion unit was comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The price of the conversion unit was the lesser of a price equal to the 30-day rolling weighted average price of the Company's common shares as of the date of conversion, less 20% or US$0.80 per share the (“Conversion Unit”). The terms and features of the conversion met the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contained a variable exercise/conversion price, the Conversion Unit met the definition of a financial liability under IAS 32 “Financial Instruments: Presentation”. As a result, the Conversion Unit was a derivative liability that required fair value measurement each reporting period. The Company had selected the Binomial Lattice model to fair value the warrant component of the conversion unit and the Monte Carlo Simulations process for the common share component of the Conversion Unit.

iii) In prior years, the Company had issued share purchase warrants with an exercise price in US dollars, rather than Canadian dollars (the functional currency of the Company). Such share purchase warrants are derivative instruments and the Company was required to re-measure the fair value at each reporting date. The fair value of these share purchase warrants are re-measured at each reporting date using the Black-Scholes option pricing model with changes recorded to the statement of operations.

Impairment

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. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of operations. 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 the reversal is recognized in profit or loss.

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of operations except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income Tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and asset and they relate to the income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise under the initial recognition exemption other than in a business combination.

Share-Based Compensation

The Company has a share-based compensation plan that grants stock options to employees and non-employees. This plan is an equity settled plan. The Company uses the fair value method for accounting for share-based awards to employees and non-employees.

The fair value determined at the grant date of the equity-settled share-based payments is expensed 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 contributed surplus.

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 Company obtains the goods or the counterparty renders the service.

Warrants

When the Company issues units comprising common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of the common shares is estimated and the fair value of the warrants issued is estimated using an option pricing model. The fair value is then prorated to the total of the net proceeds received on issuance of the common shares and the warrants.

RECENT ACCOUNTING PRONOUNCEMENTS AND RECENT ADOPTED ACCOUNTING STANDARDS

Recent Issued Accounting Pronouncements

The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

(i) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective September 1, 2018.

(ii) In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments – Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the Consolidated Financial Statements.

(iii) On January 13, 2016, the IASB issued IFRS 16 Leases ("IFRS 16") which will replace IAS 17, Leases. IFRS 16 will bring leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is assessing the impact of this new standard on the Consolidated Financial Statements.

(iv) Amendments to IFRS 2 - Classification and measurement of Share-based payment transactions ("IFRS 2"): On June 20, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively, retrospectively, or early application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on September 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(v) Amendments to IAS 7 – Disclosure initiative: On January 7, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on September 1, 2017. The Company does not expect the amendments to have a material impact on the financial statements.

(vi) Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses: On January 19, 2016 the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on September 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

Recent Adopted Accounting Standards

The following standards, amendments and interpretations have been adopted by the Company as of September 1, 2015. There were no material impacts on the Consolidated Financial Statements as a result of the adoption of these standards, amendments and interpretations: (i) IFRS 11, Joint Arrangements, the annual improvement projects and IAS 1 Disclosure Initiative.

SHARE CAPITAL AND RESERVES

The Company filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares and the financial statements have been adjusted accordingly.

a) Share Capital

Authorized:
Unlimited number of common shares at no par value
Unlimited number of preferred shares issuable in series

Common Shares Issued:
The following table sets out the changes in common shares during the respective periods:

	Number	Amount $
Balance August 31, 2014	2,767,637	9,072,181
Common shares issued upon the settlement of secured convertible note (Note b)	1,000,000	925,611
Balance August 31, 2015	3,767,637	9,997,792
Common shares issued as debt extinguishment (Note c)	9,543,110	6,371,457
Common shares issued as private placement(Note d)	500,000	50,000
Common shares issued as anti-dilution provision (Note e)	10,329,983	5,034,157
Common shares issued as private placement (Note f)	100,000	9,044
Common shares issued as debt extinguishment (Note g)	1,505,190	638,295
Common shares issued on exercise of warrants (Note h)	518,683	986,667
Common shares issued as private placement (Note i)	236,364	133,271
Balance August 31, 2016	**26,500,967**	**23,220,683**

Preferred Shares Issued:
As at August 31, 2016 and 2015 there are no preferred shares issued.

b) Share Purchase Warrants

The following table sets out the changes in warrants during the respective periods:

	August 31, 2016		August 31, 2015	
Warrants	**Number of Warrants**	**Weighted Average Price**	Number of Warrants	Weighted Average Price
Outstanding, beginning of period	737,856	$1.00	929,356	$1.80
Warrants expired (Note a)	-	-	(191,500)	$5.00
Warrants issued (Note e)	5,164,992	$1.00	-	-
Warrants issued (Note f)	100,000	$0.35	-	-
Warrants issued (Note g)	1,505,190	$0.35	-	-
Warrants exercised (Note h)	(518,683)	$1.00	-	-
Warrants issued (Note i)	236,364	$1.25		
Balance, end of year	**7,225,719**	**$0.86**	737,856	$1.00

(a) On January 24, 2015, 60,000 common share purchase warrants exercisable at $5.00 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $507,038 with a corresponding increase to contributed surplus. On February 17, 2015, 131,500 common share purchase warrants exercisable at $5.00 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $662,851 with a corresponding increase to contributed surplus.

(b) Effective August 31, 2015, the Company entered into a Settlement and Exercise of Security Agreement to extinguish a secured convertible note payable in the amount of $1,608,149 plus interest of $154,179 for a total of $1,762,328. As partial consideration of the settlement the Company agreed to issue 1,000,000 shares of common stock of the Company with a fair value of $925,611.

(c) Effective November 18, 2015, the Company entered into shares for debt conversion agreements and converted loans and interest due in the aggregate amount of $1,262,453 through the issuance of 9,543,110 common shares in the capital of the Company. The fair value of $6,371,457 was recorded as an increase to common shares.

(d) Effective November 18, 2015, the Company completed a private placement for gross proceeds of $50,000 and issued 500,000 common shares in the capital of the Company at a purchase price of $0.10 per share.

(e) Effective November 18, 2015, the Company issued 10,329,983 Units in the capital of the Company pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements. Each unit was comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$1.00 until August 30, 2017. The fair value of the units of $6,896,800 was allocated to the common shares in the amount of $5,034,157 and warrants in the amount of $1,862,643 based on their relative fair values and $6,896,800 was recognized as a loss on settlement of debt in the statement of operations.

(f) On February 29, 2016, the Company completed a private placement for gross proceeds of $30,000 and issued 100,000 units in the capital of the Company at a purchase price of $0.30 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $0.35 until March 1, 2019. The fair value of the units ($30,000) was allocated to common shares $9,044and the amount allocated to warrants component using a Binomial Lattice model was $20,956. The units are subject to the terms and conditions of a Lock-up and Leak-out Agreement.

(g) On February 29, 2016, the Company entered into debt conversion agreements and converted debt in the aggregate amount of $451,557 through the issuance of 1,505,190 units in the capital of the Company. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $0.35 until March 1, 2019. The fair value of the Units $1,220,709 was allocated to common shares in the amount of $638,295 and warrants in the amount of $582,414 based on their relative fair values and $769,152 was recognized as a loss on extinguishment of debt in the consolidated statement of operations. The units are subject to the terms and conditions of a Lock-up and Leak-out Agreement.

(h) During the year ended August 31, 2016, 518,683 common share purchase warrants were exercised at $1.00 for proceeds of $518,683. The amount allocated to warrants using a Binomial Lattice model was $467,984.

(i) On August 31, 2016, the Company completed private placements for gross proceeds of $260,000 and issued 236,364 units in the capital of the Company at a purchase price of $1.10 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $1.25 until August 31, 2019. The Subscription agreements contain an anti-dilution provision such that if within 18 months of August 31, 2016, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than $1.10 (the "Adjusted Price") the Holder shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price. At August 31, 2016, the Company determined that based on the market price of the Company's common shares being greater than the Unit issue price per share, no additional common shares were required to be fair valued and recorded as a derivative liability.

The fair value of the units ($260,000) was allocated to common shares in the amount of $133,271 and the amount allocated to warrants using a Binomial Lattice model was $126,729. The assumptions utilized in the Binomial Lattice process for the common share purchase warrants were as follows:

	August 31, 2016
Market value on valuation date	$1.31
Contractual exercise rate	$1.25
Term	3 Years
Expected market volatility	152.78%
Risk free rate using zero coupon US Treasury Security rate	0.92%

The following table summarizes the outstanding warrants as at August 31, 2016 and August 31, 2015, respectively:

Number of Warrants 2016	**Exercise Price**	**Expiry Date**	**Weighted Average Remaining Life (Years)**	**Warrant Value ($)**
5,384,165	$1.00	August 30, 2017	1.00	2,195,738
1,605,190	$0.35	March 1, 2019	2.50	603,370
236,364	$1.25	August 31, 2019	3.00	126,729
7,225,719	**$0.86**		**1.40**	**2,925,837**

Number of Warrants 2015	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
737,856	$1.00	August 30, 2017	2.00	801,079

c) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	August 31,	
	2016	2015
Weighted Average Shares Outstanding, basic	**20,770,962**	2,769,894
Weighted Average Shares Outstanding, diluted	**20,770,962**	3,755,514

At August 31, 2016, there are another 383,000 stock options and 8,975,719 common share purchase warrants that could be exercised, however they are anti-dilutive. The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

d) Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding common shares of the Company on a rolling basis.

The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options	Weighted Average Exercise Price
Balance, August 31, 2014	10,500	$16.40
Granted	100,000	1.20
Expired	(500)	(16.40)
Balance, August 31, 2015	110,000	2.50
Expired	(27,000)	(2.30)
Granted	300,000	2.19
Balance, August 31, 2016	**383,000**	**$2.28**

The following table is a summary of the Company's stock options outstanding and exercisable as at August 31, 2016 and August 31, 2015, respectively:

Options Outstanding 2016				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price
$16.00	6,000	0.50	February 17, 2017	6,000	
$16.00	2,000	0.27	December 8, 2016	2,000	
$1.20	50,000	3.20	November 11, 2019	50,000	
$1.20	25,000	0.27	December 8, 2016	25,000	
$2.19	300,000	0.27	December 8, 2016	300,000	
	383,000	**0.66**		**383,000**	**$2.28**

Options Outstanding 2015				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price
$16.00	10,000	1.50	February 17, 2017	10,000	
$1.20	100,000	4.20	November 11, 2019	100,000	
	110,000	**3.95**		**110,000**	**$2.50**

e) Stock Based Compensation

Employees

On November 12, 2014, the Company granted options to purchase 75,000 common shares to directors. These options are exercisable at $1.20 per share, vest immediately and 50,000 expire on November 11, 2019 and 25,000 expire on December 8, 2016. The Company recorded non-cash stock based compensation expense of $84,520.

On March 21, 2016, 2,000 options exercisable at $16.00 expired and 25,000 options exercisable at $1.20 expired. The Company recorded an increase to contributed surplus of $60,143.

On April 1, 2016, the Company granted options to purchase 300,000 common shares to a director. These options are exercisable at $2.19 per share, vest immediately and expire on December 8, 2016. The Company recorded non-cash stock based compensation expense of $615,924. The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following assumptions and inputs:

	April 1, 2016
Weighted average fair value per option	$2.05
Weighted average risk free interest rate	0.70%
Forfeiture rate	0%
Weighted average expected volatility	165.35%
Expected life (years)	5
Dividend yield	Nil
Stock price on the date of grant	$2.19

Non Employees

On November 12, 2014, the Company granted options to purchase 25,000 common shares to a consultant of the Company. These options are exercisable at $1.20 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of $28,173.

The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following assumptions and inputs:

	November 12, 2014
Weighted average fair value per option	$1.10
Weighted average risk free interest rate	1.54%
Forfeiture rate	0%
Weighted average expected volatility	287.49%
Expected life (years)	5
Dividend yield	Nil
Stock price on the date of grant	$1.11

SUBSEQUENT EVENTS

Subsequent to the year ended August 31, 2016, the Company granted 500,000 immediately vesting stock options exercisable at $1.30 until September 8, 2021 to a director and a consultant of the Company.

Subsequent to the year end the Company granted to the new President 300,000 stock options exercisable at $1.30 vesting February 6, 2017, 350,000 stock options exercisable at $1.50 vesting September 9, 2017 and 350,000 stock options exercisable at $1.50 vesting September 9, 2018 until September 8, 2021.

Subsequent to the year ended August 31, 2016, the Company granted to an Officer of the Company 500,000 stock options exercisable at $0.64 vesting March 30, 2017 until October 31, 2021.

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC ("Catch Star Studios"). On October 12, 2016, the Company advanced US$65,000 to Catch Star Studios, LLC ("Catch Star") and entered into a Secured Promissory Note and General Security Agreement (the "Note") with Catch Star. The Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star Studios and the Company could not reach the definitive agreements to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. On February 1, 2017, the Company issued a letter of demand for the repayment of the Note in full.

Subsequent to the year ended August 31, 2016, the Company's Chief Financial Officer advanced the Company $49,650.

(Formerly: Eagleford Energy Inc.)

Management's Discussion and Analysis
For the year ended
August 31, 2015

1 King Street West, Suite 1505, Toronto, ON, Canada Telephone: 416 364 4039, Facsimile: 416 364-8244

OVERVIEW

Eagleford Energy Corp. ("Eagleford" or the "Company") is amalgamated under the laws of the Province of Ontario. The Company's business focus consists of acquiring, exploring and developing oil and gas interests. The recoverability of the amount shown for these properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and future profitable production or proceeds from disposition of such property. The Company's oil and gas interests are located in Alberta, Canada and Zavala County, Texas. In addition the Company holds a 0.3% net smelter return royalty on 8 mining claim blocks located in Red Lake, Ontario which is carried on the consolidated balance sheets at $Nil. The Company filed Articles of Amendment effective August 25, 2014 consolidating its common shares on the basis of one (1) common share for every ten (10) common shares and changed its name to Eagleford Energy Corp. The address of the registered office is 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1. Eagleford's common shares trade on the Over-the-Counter Bulletin Board (OTCQB) under the symbol EGFDF.

The Company's Consolidated Financial Statements for the year ended August 31, 2015 and 2014 include the accounts of Eagleford, the legal parent, together with its wholly-owned subsidiaries, 1354166 Alberta Ltd. an Alberta operating company ("1354166 Alberta") and Eagleford Energy, Zavala Inc. a Nevada company ("Zavala Inc.") and Zavala Inc.'s wholly owned subsidiary EEZ Operating Inc. a Texas company ("EEZ Operating") incorporated May 12, 2015 until the date of disposition of Zavala Inc., on August 31, 2015. Accordingly Zavala Inc., has been deconsolidated and presented as discontinued operations on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows. All Intercompany balances and transactions have been eliminated on consolidation. On March 6, 2014, the Company filed a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas for its wholly-owned subsidiary Dyami Energy and Dyami Energy was dissolved effective April 3, 2014. The Company's investment in Dyami Energy has been deconsolidated from the Company's Consolidated Financial Statements as at the effective date, and presented on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows as an impairment of the net assets and liabilities on dissolution of subsidiary (see Note 16 b to the Consolidated Financial Statements, Discontinued Operations and Dissolution of Subsidiary).

Our Canadian public filings can be accessed and viewed via the System for Electronic Data Analysis and Retrieval ("SEDAR") at www.sedar.com. Readers can also access and view our Canadian public insider trading reports via the System for Electronic Disclosure by Insiders at www.sedi.ca. Our U.S. public filings are available at the public reference room of the U.S. Securities and Exchange Commission ("SEC") located at 100 F Street, N.E., Room 1580, Washington, DC 20549 and at the website maintained by the SEC at www.sec.gov.

The following Management's Discussion and Analysis of Eagleford should be read in conjunction with the Company's Audited Consolidated Financial Statements for the year ended August 31, 2015 and notes thereto. The Company's Audited Consolidated Financial Statements for the year ended August 31, 2015 and 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All amounts herein are presented in Canadian dollars, unless otherwise noted. This Management's Discussion and Analysis is dated December 23, 2015 and has been approved by the Board of Directors of the Company.

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis contains certain forward-looking statements, including management's assessment of future plans and operations, and capital expenditures and the timing thereof, that involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control. Such risks and uncertainties include, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the impact of general economic conditions in Canada, the United States and overseas, industry conditions, changes in laws and regulations (including the adoption of new environmental laws and regulations) and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that the Company will derive there from. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this Management Discussion and Analysis are made as at the date of this Management Discussion and Analysis and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-IFRS Measurements – *Certain measures in this Management's Discussion and Analysis do not have any standardized meaning as prescribed by IFRS including "Operating net back" are considered Non-IFRS measures. Therefore, these measures may not be comparable to similar measures presented by other issuers. These measures are common with the oil and gas industry and have been described and presented in this Management's Discussion and Analysis in order to provide shareholders and potential investors with additional information regarding the company's liquidity and its ability to generate funds to finance its operations. These terms are commonly used in the oil and gas industry and are therefore presented here to provide balances comparable to other oil and gas production companies.*

GLOSSARY OF ABBREVIATIONS

Bbl	barrel
Bbl/d	barrels per day
Boe	barrels of oil equivalent (1)
Boe/d	barrels of oil equivalent per day
Mcf	1,000 cubic feet of natural gas
Mcf/d	1,000 cubic feet of natural gas per day

(1) Boe conversion ratio of 6 Mcf: 1Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Disclosure provided herein in respect of Boes may be misleading, particularly if used in isolation.

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls	6.292
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometers	1.609
Kilometers	Miles	0.621
Acres (Alberta)	Hectares	0.405
Hectares (Alberta)	Acres	2.471

OVERALL PERFORMANCE

For the year ended August 31, 2015, revenue, net of royalties was down $11,969 to $53,055 compared to $65,024 for the year ended August 31, 2014. The decrease in net revenue for the year ended August 31, 2015, was a result of lower prices received for natural gas from the Company's Botha, Alberta property. Net income from continuing operations for the year ended August 31, 2015 was $2,067,443 compared to a net loss from continuing operations of $6,114,977 for the year ended August 31, 2014. The increase in net income for fiscal 2015 was attributed to a gain on derivative liabilities of $2,653,591 compared to a loss of $2,735,476 for fiscal 2014, a gain on disposition of subsidiary of $615,881 compared to $Nil in 2014, and a gain on settlement of litigation of $120,125 versus $Nil for the same twelve month period ending August 30, 2014. During fiscal 2015, the Company's general and administrative expenses were significantly lower by $314,418 to $89,007 compared to $403,425 for fiscal 2014. The lower general and administrative expenses for 2015 was primarily attributed to the forgiveness of management fees of $306,250 by the President. For the year ended August 31, 2015, the Company recorded a loss on settlement of debt of $Nil versus a loss on settlement of debt in the amount of $1,335,935 for the same period in 2014.

On December 3, 2013, (amended January 21, 2014) the Company entered into a Joint Development Agreement with Stratex Oil and Gas Holdings, Inc. ("Stratex") (the "Stratex JDA") to further develop the Matthews Lease. Under the terms JDA, Stratex earned a 66.67% working interest before payout (50% working interest after payout) in the Matthews #1H well and a 50% working interest in the 2,629 acre Matthews Lease.

On or about September 30, 2014, Stratex filed a petition against Zavala Inc. in the District Court of Zavala County, Texas seeking breach of contract and actual damages of US$152,293 for Zavala Inc.'s alleged non-payment of its proportionate share of minimum royalties due under the Matthews Lease. Zavala Inc. disputed the claim and effective March 31, 2015, the Company entered into a settlement with Stratex and Quadrant pursuant to which Stratex assigned all of its rights, title and interest in, to and under the Matthews Lease and the Stratex JDA, to the Company and Quadrant, and issued to the Company 1,333,333 common shares of Stratex as repayment of the disputed minimum royalty of US$152,293 and a further payment of US$25,000 is to be paid to the Company. EEZ Operating thereafter became the operator of the Matthews Lease

On April 11, 2014, the Company entered into a further Joint Development Agreement ("JDA2") with Stratex and Quadrant Resources LLC, ("Quadrant") for the development of the San Miguel formation on the Matthews Lease. Pursuant to the terms of the JDA2, upon satisfaction of certain conditions including the Phase 1 Work Program and the cash consideration described below, Quadrant could earn an undivided 66.67% before payout and a 50% working interest after payout to the base of the San Miguel formation of the Matthews Lease by i) drilling 3 new wells and reworking 5 wells at its sole cost and expense by June 30, 2015 (the "Phase I Work Program"); ii) deliver US$100,000 to the Company upon execution of the JDA2 (paid); and iii) deliver US$65,000 to the Company on each of July 8, 2014; October 6, 2014; January 5, 2015 and April 6, 2015. The Company recorded the cash payments and the payment of certain obligations under the Matthews Lease by Quadrant totaling $378,577 (US$303,712) as at August 31, 2015, as a reduction in exploration and evaluation assets. Under the terms of the JDA2 Quadrant was required to complete the Phase I Work Program and pay the Company cash consideration totaling US$360,000 by June 30, 2015, which it did not and accordingly the JDA2 expired without Quadrant earning any interest in the development area.

On July 2, 2015, the 2629 acre Matthews Lease transitioned into its production unit phase. A total of 340 acres were held as production units. Accordingly, the Company wrote down the lease to fair value of $1,212,996 and recorded an impairment of exploration and evaluation assets at August 31, 2015 of $4,490,045.

At August 31, 2014, the Company had a secured convertible promissory note payable with a face value of (US$1,216,175) (the "Note"). The Note had an interest rate of 10%. The Note was due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Company of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default.

In accordance with the terms of the Note and the General Security Agreement (the "Loan Agreements") between the Company and Benchmark Enterprises Inc., ("Benchmark") the Company had granted and conveyed a first priority security interest in the Company and Zavala Inc.

At August 31, 2015, the Company was unable to pay the Note $1,608,149 US$1,216,175 plus interest of $154,179 (US$121,618), totaling $1,762,328 (US$1,337,793), which constituted an event of default pursuant to the terms of the Loan Agreements. Benchmark having made demand for payment of all amounts owed to it under the Note, gave notice to the Company that it intended to exercise its security on the Company's assets.

In an effort to avoid further costs, the Company and Benchmark entered into a Settlement and Exercise of Security Agreement whereby effective August 31, 2015, the Company assigned and conveyed to Benchmark all of its rights, title and interest in and to Zavala Inc., and issued to Benchmark 10,000,000 shares of common stock of the Company. As a result of the extinguishment of the Note, the Company's investment in Zavala Inc. has been deconsolidated from the Company's Consolidated Financial Statements as at August 31, 2015 and presented as discontinued operations.

The Company anticipates further expenditures to be made on future opportunities evaluated by the Company. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by the Company, or by other means. The Company's long-term profitability will depend upon its ability to successfully implement its business plan.

The Company's past primary source of liquidity and capital resources has been proceeds from the issuance of share capital, shareholders' loans and cash flow from oil and gas operations.

RISK AND UNCERTAINTIES

The Company is subject to several risk factors including, but not limited to: the volatility of oil and natural gas prices; foreign exchange and currency risks; general risks related to foreign operations such as political, economic, regulatory and other uncertainties as they relate to both foreign investment policies and energy policies; governments exercising from time to time significant influence on the economy to control inflation; developing environmental regulations in foreign jurisdictions; discovery of new oil and natural gas reserves; concentration of oil sales receipts with a few major customers; substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the long-term for which additional financings will required to implement Eagleford's business plan.

As the Company has not experienced sufficient positive cash flow from operations to independently finance its growth and operations, it has been reliant on access to capital in the form of both debt and equity to fund on-going operations and to fund capital investments. Although periodic volatility of financial and capital markets may severely limit access to capital, the Company has been able to attract the required investment capital in the past however no assurances can be made that it will continue to do so in the future.

Some of the Company's exploration and development costs are expected to be received/paid in reference to US$ denominated prices while a significant portion of its operating and general and administrative costs are denominated in Canadian dollars. As a result the Company is exposed to fluctuations in currency exchange rates between the US dollar and Canadian dollar. The Company has not entered into any currency derivatives in order to reduce its exposure to fluctuations that may incur.

Fluctuations in energy prices will not only impact revenues of the Company but may also affect the ability of the Company to raise additional capital to fund operations and working capital requirements. Crude oil prices are correlated with overall global economic growth and activity. The continuing volatility in the global economic environment has resulted in significant variation in crude oil prices over the last year. Any dramatic drop in crude oil prices will have a negative impact on the operational cash flows of the Company as well as on its ability to finance capital expenditures. In absence of externally-sourced capital, this could limit growth prospects over the short run or may even require the Company to dispose of assets.

The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Company also cautions readers not to place undue reliance on these forward-looking statements. Moreover, the forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above. (For additional risk factors, please see the Company's Annual Information Form filed on Form 20F).

FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS

The Company has classified its financial instruments as follows:

Financial Instrument	Category	Measurement method
Cash	Fair value through profit or loss	Fair value
Marketable securities	Available-for-sale	Fair value
Derivative liabilities	Fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Provisions	Other financial liabilities	Amortized cost
Secured note payable, shareholders' loans and loans payable	Other financial liabilities	Amortized cost

The types of risk exposure and the ways in which such exposures are managed are as follows:

Credit Risk

Credit risk is primarily related to the Company's receivables from joint venture partners and the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from joint venture partners are normally collected within one to three months of the joint venture bill being issued to the partner. The Company historically has not experienced any collection issues with its joint venture partners to date. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Company establishes an allowance for doubtful accounts as determined by management based on their assessed collectability; therefore, the carrying amount of trade and other receivables generally represents the maximum credit exposure. The Company believes that its counterparties currently have the financial capacity to settle outstanding obligations in the normal course of business.

Concentration risks exist in cash because significant balances are maintained with one financial institution. The risk is mitigated because the financial institution is an international bank.

The Company's maximum exposure to credit risk is as follows:

	August 31, 2015	August 31, 2014
Cash	$32,192	$103,215
Trade and other receivables	51,323	157,121
Balance	$83,515	$260,336

Liquidity Risk

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to fulfill planned exploration commitments on its oil and gas properties or that viable options are available to fund such commitments from new equity issuances or alternative sources such as farm-out agreements. However, as an exploration company at an early stage of development and without significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned. The current uncertainty in global markets have had an impact on the Company's ability to access capital or other viable options on terms that are acceptable to the Company.
The following table illustrates the contractual maturities of financial liabilities:

August 31, 2015	**Payments Due by Period**				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	$1,630,809	$1,630,809	-	-	-
Shareholders' loans (1)	339,588	339,588	-	-	-
Loans payable (1)	1,063,105	1,063,105	-	-	-
Total	$3,033,502	$3,033,502	-	-	-

(1) Translated at current exchange rate.

August 31, 2014	**Payments Due by Period**				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	$1,483,775	$1,483,775	-	-	-
Shareholders' loans (1)	981,834	981,834	-	-	-
Total	$2,465,609	$2,465,609	-	-	-

(2) Translated at current exchange rate.

Market Risk

Market risk represents the risk of loss that may impact the Company's financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, commodity price risk, and other relevant market or price risks. The Company does not use derivative financial instruments or derivative commodity instruments to mitigate this risk.

The oil and gas industry is exposed to a variety of risks including the uncertainty of finding and recovering economic reserves, the performance of hydrocarbon reservoirs, securing markets for production, commodity prices, interest rate fluctuations, potential damage to or malfunction of equipment and changes to income tax, royalty, environmental or other such factors.

Market events and conditions in recent years including oil and gas supply and demand, disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions have caused significant volatility to commodity prices. These conditions contributed to a loss of confidence in the broader U.S. and global credit and financial markets and the oil and gas sector. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions contributed to further deteriorate the broader credit markets and stock market declines. These factors have negatively impacted company valuations and may impact the performance of the global economy going forward. Although economic conditions improved, the recovery has been slow in various sectors including in Europe and North America and has been impacted by various ongoing factors including sovereign debt levels and high levels of unemployment which continue to impact commodity prices and to result in volatility in the stock market.

The Company mitigates these risks by:

- attempts to utilize competent, professional consultants as support to management,
- reviewing available petrophyisical analysis of prospects,
- focusing on a limited number of properties.

(i) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that affect the levels of supply and demand.

The Company believes that movement in commodity prices that are reasonably possible over the next twelve month period may have a significant impact on the Company as all its oil properties are still in a development stage.

Commodity Price Sensitivity

The following table summarizes the sensitivity of the fair value of the Company's risk management position for the year ended August 31, 2015 and 2014 to fluctuations in natural gas prices, with all other variables held constant. When assessing the potential impact of these price changes, the Company believes that 10 percent volatility is a reasonable measure. Fluctuations in natural gas prices potentially could have resulted in unrealized gains (losses) impacting net income as follows:

	2015		2014	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
Net revenue	$59,918	$46,192	$72,451	$57,597
Net income (loss)	$2,074,306	$2,060,580	$(6,107,550)	$(6,122,404)

(ii) Currency Risk

The Company is exposed to the fluctuations in foreign exchange rates. The prices received by the Company for the production of natural gas and natural gas liquids are primarily determined in reference to United States dollars but are settled with the Company in Canadian dollars. The Company's cash flow for commodity sales will therefore be impacted by fluctuations in foreign exchange rates.

The Company operates in Canada and a portion of its expenses are incurred in U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in US dollars at August 31, 2015 and 2014:

	August 31, 2015	August 31, 2014
Cash	22,166	$73,099
Trade and other receivables	24,154	74,091
Trade and other payables	(873,523)	(882,877)
Shareholders' loans	(249,250)	(904,250)
Derivative liabilities	(212,668)	(4,899,511)
Loans payable	(776,000)	-
Prepaid expenses and deposits	-	27,478
Exploration and evaluation assets	-	4,638,600
Deferred revenue	-	(165,000)
Provisions	-	(32,948)
Net assets denominated in US$	$(2,065,121)	$(2,071,318)
Net asset CDN dollar equivalent at period end [(1)]	$(2,730,710)	$(2,249,038)

(1) Translated at the exchange rate in effect at August 31, 2015 $1.3223 (August 31, 2014 $1.0858)

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the periods set out from a change in the U.S dollar exchange rate in which the Company has exposure with all other variables held constant.

	August 31, 2015		August 31, 2014	
	Increase	Decrease	Increase	Decrease
Percentage change in US Dollar	In total comprehensive loss from a change in % in the US Exchange Rate ($)		In total comprehensive loss from a change in % in the US Exchange Rate ($)	
5%	(180,541)	180,541	(122,100)	122,100
10%	(361,082)	361,082	(244,201)	244,201
15%	(541,623)	541,623	(366,301)	366,301
20%	(722,163)	722,163	(488,401)	488,401

(iii) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The majority of the Company's debt is short-term in nature with fixed rates. Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company.

(iv) Fair Value of Financial Instruments

The Company's financial instruments included on the consolidated statement of financial position as at August 31, 2015 and 2014 are comprised of cash, derivative liabilities, trade and other receivables, trade and other payables, loans payable, shareholders' loans and provisions.

The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

• Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

• Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

	August 31, 2015		August 31, 2014	
Financial Instrument Classification	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Fair value through profit or loss:				
Cash	32,192	32,192	103,215	103,215
Derivative liabilities	281,210	281,210	5,325,407	5,325,407
Loans and receivables:				
Trade and other receivables	51,323	51,323	157,121	157,121
Other financial liabilities:				
Trade and other payables	1,630,809	1,630,809	1,483,775	1,483,775
Shareholders' loans	339,588	339,588	981,834	981,834
Loans payable	1,063,105	1,063,105	-	-
Provisions (short and long term)	11,563	11,563	47,543	47,543

Cash and derivative liabilities are stated at fair value (Level 1 measurement). The carrying value of trade and other receivables, trade and other payables, loans payable, secured note payable and provisions approximate their fair value due to the short-term maturity of these financial instruments (Level 3 measurement). Shareholders' loans are measured at the exchange amount.

Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to funds its operations, growth and ongoing exploration and development commitments on its oil and gas interests. The Company is dependent on funding these activities through debt and equity financings and joint venture arrangements. Due to long lead cycles of the Company's exploration and development activities, the Company's capital requirements currently exceed its operational cash flow generated. As such the Company is dependent upon future financings in order to maintain its flexibility and liquidity and may from time to time be required to issue equity, issue debt, adjust capital spending or obtain additional farm-in arrangements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, availability of capital and the risk characteristics of any underlying assets in order to meet current and upcoming obligations.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favourable market conditions to sustain future development of the business. As at August 31, 2015 and August 31, 2014 and the Company considered its capital structure to comprise of shareholders equity and long-term debt.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's capital management plan during the period ended August 31, 2015. The Company is not subject to any externally imposed restrictions on its capital requirements.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favorable market conditions and opportunities to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

SELECTED ANNUAL INFORMATION

The following table reflects the summary of results for the years set out.

	For the Years Ended August 31		
	2015	2014	2013
Revenue, net of royalties	$53,055	$65,024	$30,062
Net income (loss) per share from continuing operations	$2,067,443	$(6,114,977)	$(4,264,833)
Income (loss) per share from continuing operations, basic	$0.075	$(0.482)	$(0.407)
Income (loss) per share from continuing operations, diluted	$0.055	$(0.482)	$(0.407)
Assets	$93,115	$5,296,928	$6,918,196
Long term liabilities	-	$4,266,790	$1,407,822

August 31, 2015 – 2014
For the year ended August 31, 2015, revenue, net of royalties was down $11,969 to $53,055 compared to $65,024 for the year ended August 31, 2014. The decrease in net revenue for the year ended August 31, 2015 was a result of lower prices received for natural gas from the Company's Botha, Alberta property. Net income from continuing operations for the year ended August 31, 2015 was $2,067,443 compared to a net loss from continuing operations of $6,114,977 for the year ended August 31, 2014. The increase in net income for fiscal 2015 was attributed to a gain on derivative liabilities of $2,653,591 compared to a loss of $2,735,476 for fiscal 2014, a gain on disposition of subsidiary of $615,881 compared to $Nil in 2014, and a gain on settlement of litigation of $120,125 versus $Nil for the same twelve month period ending August 30, 2014. During fiscal 2015, the Company's general and administrative expenses were significantly lower by $314,418 to $89,007 compared to $403,425 for fiscal 2014. The lower general and administrative expenses for 2015, was primarily attributed to the forgiveness of management fees of $306,250 by the President. For the year ended August 31, 2015, the Company recorded a loss on settlement of debt of $Nil versus a loss on settlement of debt in the amount of $1,335,935 for the same period in 2014. During fiscal 2015, the President forgave $306,250 of management fees accrued.

August 31, 2014 - 2013
For the year ended August 31, 2014, revenue, net of royalties was up $34,962 to $65,024 compared to $30,062 for the year ended August 31, 2013. The increase in net revenue during 2014, was primarily attributed to increases in natural gas production volume and prices received from the Company's Botha, Alberta property. Net loss from continuing operations for the year ended August 31, 2014 was $6,114,977 compared to a net loss from continuing operations of $4,264,833 for the year ended August 31, 2013. The increase in net loss during 2014, was primarily related to a loss on derivative liabilities of $2,735,476 compared to a loss of $128,041 during fiscal 2013. This increase in 2014 was attributed to the exchange of a secured note for a secured convertible note during fiscal 2014, which terms and features of the conversion meet the definition of an embedded derivative liability that requires fair value measurement at each reporting period. During the year ended August 31, 2014, the Company recorded an increase in loss on settlement of debt in the amount of $933,671 to $1,335,935 compared to a loss on settlement of debt in the amount of $$402,264 during fiscal 2013. During fiscal 2014, the Company converted shareholders' loans and interest due, in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,102 units in the capital of the Company at a price of $0.08 per unit. The increases during fiscal 2014, were partially offset by a reduction in the impairment of exploration and evaluation assets in the amount of $1,375,292 to $1,315,276 compared to $2,690,568 in fiscal 2013.

RESULTS OF OPERATIONS–CONTINUING OPERATIONS

Historical Production	For the Years Ended August 31		
	2015	2014	2013
Natural gas – mcf/d	61	53	37
Historical Prices			
Natural Gas - $/mcf	$3.06	$4.34	$2.15
Royalties costs - $/mcf	$0.70	$0.96	$0.62
Production costs - $/mcf	$1.07	$0.89	$0.62
Net back - $/mcf	$1.29	$2.49	$0.89
Operations			
Revenue, net of royalties	$53,055	$65,024	$30,062
Net income (loss) per share from continuing operations	$2,067,443	$(6,114,977)	$(4,264,833)
Income (loss) per share from continuing operations, basic	$0.075	$(0.482)	$(0.407)
Income (loss) per share from continuing operations, diluted	$0.055	$(0.482)	$(0.407)

Production Volume
For the year ended August 31, 2015, average natural gas sales volumes slightly increased by 8mcf/d to 61 mcf/d compared to 53 mcf/d for the same period in 2014. Total production volume for the year ended August 31, 2015, was 22,406 mcf compared to 19,244 mcf for the twelve month period ended August 31, 2014.

For the year ended August 31, 2014, average natural gas sales volumes increased by 16 mcf/d to 53 mcf/d compared to 37 mcf/d for the same period in 2013. Total production volume for the year ended August 31, 2014, was 19,244 mcf compared to 13,431 mcf for the twelve month period ended August 31, 2013.

Commodity Prices

For the year ended August 31, 2015, average natural gas prices received per mcf decreased to $3.06 compared to $4.34 for the year ended August 31, 2014.

For the year ended August 31, 2014, average natural gas prices received per mcf increased to $4.34 compared to $2.15 for the year ended August 31, 2013.

The increases and decreases in average natural gas prices received is attributed to fluctuations in commodity prices for natural gas.

Revenue, Net of Royalties	**For the Years Ended August 31,**		
	2015	**2014**	**2013**
Natural gas sales	$68,628	$83,471	$38,620
Royalties	(15,573)	(18,447)	(8,558)
Revenue, net of royalties	$53,055	$65,024	$30,062

Natural gas sales for the year ended August 31, 2015, were down $14,843 to $68,628 compared to $83,471 for the year ended August 31, 2014. The decrease in sales for fiscal 2015 was attributed to decreased commodity prices received for natural gas.

Natural gas sales for the year ended August 31, 2014, were up $44,851 to $83,471 compared to $38,620 for the year ended August 31, 2013.The increase in sales for fiscal 2014 was attributed to higher production volume and increased commodity prices received for natural gas.

Royalties for the year ended August 31, 2015, were down $2,874 to $15,573 versus royalties of $18,447 for the same twelve month period in 2014.

Royalties for the year ended August 31, 2014, were up $9,889 to $18,447 versus $8,558 for the same twelve month period in 2013 resulting from higher production volume in fiscal 2014.

Revenue, net of royalties for the year ended August 31, 2015, was lower by $11,969 to $53,055 compared to revenue, net of royalties of $65,024 for the year ended August 31, 2014.

Revenue, net of royalties for the year ended August 31, 2014, increased by $34,962 to $65,024 compared to $30,062 for the same twelve month period ended August 31, 2013.

Operating Costs

For year ended August 31, 2015, operating costs were $24,910 compared to operating costs of $17,138 for the year ended August 31, 2014.

For year ended August 31, 2014, operating costs were $17,138 compared to operating costs of $9,234 for the year ended August 31, 2013.

The increase in operating costs for the years ended August 31, 2015 and August 31, 2014, was primarily a result of higher production volume and activity on the Company's Botha, Alberta wells.

Depletion and Accretion

Depletion and accretion for the year ended August 31, 2015 was $Nil compared to $1,536 for the year ended August 31, 2014. The decrease in depletion and accretion for the year ended August 31, 2015, was attributed to the disposition of the Company's wholly-owned subsidiary, Zavala Inc., effective August 31, 2015.

Depletion and accretion for the year ended August 31, 2014, decreased by $11,747 to $1,536 compared to $13,283 for the year ended August 31, 2013. The decrease in depletion and accretion for the year ended August 31, 2014, was primarily attributed to the impairment of the carrying costs of the Company's Botha, Alberta property during fiscal 2013.

General and Administrative Expenses	For the Years Ended August 31,		
	2015	2014	2013
Professional fees	91,233	$158,399	$251,165
Head office costs	42,000	44,925	48,850
Management fees	(156,250)	75,000	75,000
Transfer and registrar costs	9,053	18,218	7,591
Shareholders information	34,187	35,689	33,017
Office and general costs	5,384	2,350	3,966
Directors fees	2,400	3,100	3,200
Consulting fees and expenses	61,000	65,744	83,792
Advisory fees	-	--	65,724
Reserve report fees	-	-	10,059
Total	$89,007	$403,425	$582,364

General and administrative expenses for the year ended August 31, 2015, were $314,418 lower to $89,007 compared to $403,425 for the year ended August 31, 2014. The decrease in expenses during fiscal 2015 was primarily attributed to a decrease in management fees of $231,250 as a result of $306,250 of management fees forgiven in the current year compared to management fees charged in the prior period in 2014 of $75,000. Also for the year ended August 31, 2015, the Company's professional fees decreased by $67,166 to $91,233 compared to $158,399 for the year ended August 31, 2014. The professional fee decreases were primarily related to a reduction in litigation costs related to the Matthews Lease, Texas. During fiscal 2015, the Company also experienced a reduction in consulting fees of $4,744 and a decrease in transfer and registrar costs of $9,165. During fiscal 2014, the Company completed a 1-for-10 stock consolidation which resulted in higher transfer and registrar costs.

General and administrative expenses for the year ended August 31, 2014, were $178,939 lower to $403,425 compared to $582,364 for the year ended August 31, 2013. The decrease in expenses during fiscal 2014 was primarily attributed to a decrease in professional fees of $92,766 to $158,399 compared to $251,165 for the year ended August 31, 2013. The professional fee decreases were primarily related to a reduction in litigation costs related to the Matthews Lease, Texas as a result of the settlement of claims in 2013. During the year ended August 31, 2014, advisory fees decreased by $65,724 to $Nil compared to $65,724 for the same twelve month period in 2013 as a result of the expiry of an investment banking agreement. For the year ended August 31, 2014, consulting fees were reduced by $18,048 to $65,744 compared to $83,792 during fiscal 2013. In addition, during fiscal 2014 the Company recorded an increase in transfer and registrar costs of $10,627 to $18,218 compared to $7,591 for the year ended August 31, 2013. During fiscal 2014, the Company completed a 1-for-10 stock consolidation which resulted in higher transfer and registrar costs. During fiscal 2014, the Company recorded a decrease in reserve report fees of $10,059 to $Nil compared to $10,059 in fiscal 2013 as a result of no reserves and no future net revenue being assigned to the Company's Botha Alberta Property by an independent reserves evaluator in fiscal 2014.

Interest Expense

For the year ended August 31, 2015, the Company recorded interest costs of $280,299 compared to interest costs of $284,038 for the year ended August 31, 2014. The decrease in interest costs during the year ended August 31, 2015 was primarily attributed to a reduction shareholder loans compared to the prior period in 2014.

For the year ended August 31, 2014, the Company recorded interest costs of $284,038 versus interest costs of $76,783 for the year ended August 31, 2013. The increase in interest costs during the year ended August 31, 2014 was primarily attributed to decreases in borrowing costs capitalized as a result of the impairment loss recorded on exploration and evaluation assets.

Gain (Loss) on Derivative Liabilities

For the year ended August 31, 2015, the Company recorded a gain on derivative liabilities of $2,653,591 compared to a loss on derivative liabilities of $2,735,476 for the year ended August 31, 2014 as follows:

Derivative Warrant Liabilities

For the year ended August 31, 2015, the Company recorded an unrealized loss on derivative warrant liabilities of $214,109 compared to an unrealized loss on derivative warrant liabilities of $57,725 for the year ended August 31, 2014.

For the year ended August 31, 2014, the Company recorded an unrealized loss on derivative warrant liabilities of $57,725 compared to an unrealized loss of $128,041 for the year ended August 31, 2013.

The Company has warrants issued with an exercise price in US dollars which is different to the functional currency of the Company (Canadian Dollars) and accordingly the warrants are treated as a derivative financial liability and the fair value movement during the period is recognized in the statement of operations.

Derivative Unit Liabilities
During the year ended August 31, 2015, the Company recorded a gain derivative unit liabilities of $2,867,700 compared to a loss of $2,677,751 for the year ended August 31, 2014.

During the year ended August 31, 2014, the Company recorded a loss on derivative unit liabilities of $2,677,751 compared to $Nil for the year ended August 31, 2013.

At August 31, 2014, the Company had a secured convertible note payable with a face value of US$1,216,175 (the "Note"). The Note had a conversion option at any time to convert any unpaid principal and accrued interest into conversion units. A conversion unit was comprised of one (1) common share and one (1) common share purchase warrant. Since both the common share component and warrant component contained a variable exercise/conversion price, the conversion unit met the definition of a financial liability under IAS 32"Financial Instruments: Presentation". As a result, the conversion unit was a derivative liability that required fair value measurement each period.

At August 31, 2015, the Company wrote down derivative unit liabilities to fair value being the face value of the Note in the amount of $1,608,149 (US$1,216,175), upon the extinguishment of the Note.

Loss on Foreign Exchange
For the year ended August 31, 2015, the Company recorded a loss on foreign exchange of $415,345 versus a loss on foreign exchange of $101,427 for year ended August 31, 2014.

For the year ended August 31, 2014, the Company recorded a loss on foreign exchange of $101,427 versus a loss on foreign exchange of $197,640 for year ended August 31, 2013.

These foreign exchange losses are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company.

Marketing and Public Relations
For the year ended August 31, 2015, the Company recorded a recovery of prior marketing and public relations costs of $22,800 versus a recovery of marketing and public relations costs of $14,250 for the year ended August 31, 2014. The recovery of costs relates to the reversal of prior accruals.

For the year ended August 31, 2014, the Company recorded a recovery of marketing and public relations costs of $14,250 compared to marketing and public relations expense of $25,763 for the year ended August 31, 2013.

Gain on Disposal of Subsidiary
At August 31, 2015, the Company settled a secured convertible note payable with a face value of $1,608,149 (US$1,216,175) plus interest of $154,179 (US$121,618), totaling $1,762,328 (US$1,337,793) by conveying all of its rights, title and interest in and to Zavala Inc., and issuing 10,000,000 shares of common stock of the Company. As a result the Company's extinguishment of the Note, the Company's investment in Zavala Inc. had been deconsolidated from the Company's Consolidated Financial Statements as at August 31, 2015, at which time Company recorded a gain on disposal of subsidiary in the amount of $615,881 (August 31, 2014 $Nil).

Stock Based Compensation
For the year ended August 31, 2015, the Company recorded stock based compensation of $84,250 compared to $Nil for the same twelve month period in 2014 (August 31, 2013: $Nil).

On November 12, 2014, the Company granted options to purchase 750,000 common shares to directors of the Company. These options are exercisable at $0.12 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of $84,520.

Stock Based Compensation-Non Employees
For the year ended August 31, 2015, the Company recorded stock based compensation for non-employees of $28,173 compared to $Nil for the year ended August 31, 2014.

On November 12, 2014, the Company granted options to purchase 250,000 common shares to a consultant of the Company. These options are exercisable at $0.12 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of $28,173.

Accretion of Secured Convertible Note
For the year ended August 31, 2015, the Company recorded accretion on the secured convertible note in the amount of $475,755 compared to $Nil for the year ended August 31, 2014 (August 31, 2013: $Nil).

At August 31, 2014, the Company had a secured convertible note payable with a face value of US$1,216,175 (August 31, 2014: US$1,216,175) (the "Note"). The Note was being accreted up to its face value based on an effective interest rate until the date of extinguishment on August 31, 2015.

Gain on Settlement of Litigation
For the year ended August 31, 2015, the Company recorded a gain on settlement of litigation in the amount of $120,125 compared to $Nil for the year ended August 31, 2014.

Effective March 25, 2015, the Company entered into a settlement agreement with a former director of the Company and received 1,200,000 common shares and 1,200,000 common share purchase warrants of Stratex Oil & Gas Holdings, Inc. ("Stratex") exercisable at US$0.15 per expiring December 31, 2018. The 1,200,000 common shares and warrants were recorded at fair value of $120,125 and allocated to gain on settlement of litigation, and marketable securities.

Loss on Settlement of Debt
For the year ended August 31, 2015, the Company recorded a loss on settlement of debt in the amount of $Nil compared to loss on settlement of debt $1,335,935 for the same twelve month period in 2014. During fiscal 2014, the Company issued 14,757,102 units as full settlement of shareholders' loans and interest in the aggregate amount of $1,180,570. The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as loss on settlement of debt.

For the year ended August 31, 2014, the Company recorded a loss on settlement of debt in the amount of $1,335,935 compared to $402,264 for the same twelve month period in 2013.

Impairment Loss on Exploration and Evaluation Assets
As at and for the year ended August 31, 2015, the Company recorded an impairment loss on exploration and evaluation assets of $Nil compared to a net impairment loss of $1,315,276 during fiscal 2014, upon the dissolution of Dyami Energy.

During the year August 31, 2014, the Company filed a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas for its wholly-owned subsidiary Dyami Energy and effective April 3, 2014, Dyami Energy was dissolved. All prior obligations with respect to the Matthew's and Murphy leases on the books of Dyami Energy prior to its dissolution were recorded by the Company. The Company's investment in Dyami Energy has been deconsolidated from the Company's Consolidated Financial Statements as at the effective date, and presented on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flow as an impairment of the net assets and liabilities on dissolution of subsidiary.

As at and for the year ended August 31, 2014, the Company recorded a net impairment loss of $1,315,276 compared to an impairment loss of $2,690,568 on its Murphy Lease, Zavala County, Texas during fiscal 2013.

For the year ended August 31, 2013, the Company recorded an impairment of $2,690,568 on its Murphy Lease, Zavala County, Texas based on the amount for which management believed the assets could be sold or farmed out in an arms' length transaction, less estimated costs to sell.

Impairment Loss on Property and Equipment
For the years ended August 31, 2015 and 2014, the Company recorded an impairment loss on property and equipment of $Nil

For the year ended August 31, 2013, the Company recorded an impairment loss on the Botha Alberta Property in the amount of $168,954 as a result of no reserves and no future net revenue being assigned by the independent reserves evaluator.

Impairment Loss on Marketable Securities
For the years ended August 31, 2015 and 2014 the Company recorded an impairment loss on marketable securities of $Nil. For the year ended August 31, 2013, the fair value of the securities were written down to $Nil and an impairment loss of $1.00 was recorded.

Net Income (Loss) from Continuing Operations
Net income from continuing operations for the year ended August 31, 2015, was $2,067,443 compared to a net loss of $6,114,977 for the year ended August 31, 2014. The increase in net income for fiscal 2015 was primarily attributed to a gain on derivative liabilities of $2,653,591 compared to a loss of $2,735,476 for fiscal 2014, a gain on disposition of subsidiary of $615,881 compared to $Nil in 2014, and a gain on settlement of litigation of $120,125 versus $Nil for the same twelve month period ending August 30, 2014. During fiscal 2015 the Company's general and administrative expenses were significantly lower by $314,418 to $89,007 compared to $403,425 for fiscal 2014. The lower general and administrative expenses for 2015 was primarily attributed to the forgiveness of management fees of $306,250 by the President. For the year ended August 31, 2015 the Company recorded a loss on settlement of debt of $Nil versus a loss on settlement of debt in the amount of $1,335,935 for the same period in 2014. During fiscal 2015, the President forgave $306,250 of management fees accrued.

Net loss from continuing operations for the year ended August 31, 2014, was $6,114,977 compared to a net loss of $4,264,833 for the year ended August 31, 2013. The increase in net loss during 2014 was primarily related to a loss on derivative liabilities of $2,735,476 compared to a loss of $128,041 during fiscal 2013. This increase in 2014 was attributed to the exchange of a secured note for a secured convertible note during fiscal 2014 which terms and features of the conversion meet the definition of an embedded derivative liability that requires fair value measurement at each reporting period. During the year ended August 31, 2014, the Company recorded an increase in loss on settlement of debt in the amount of $933,671 to $1,335,935 compared to a loss on settlement of debt in the amount of $402,264 during fiscal 2013. During fiscal 2014 the Company converted shareholders' loans and interest due, in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,102 units in the capital of the Company at a price of $0.08 per unit. The increases during fiscal 2014, were partially offset by a reduction in the impairment of exploration and evaluation assets in the amount of $1,375,292 to $1,315,276 compared to $2,690,568 in fiscal 2013.

Net Loss from Discontinued Operations net of tax

Net loss from discontinued operations for the year ended August 31, 2015, was $4,762,461 compared to a loss from discontinued operations of $608 for the year ended August 31, 2014. The increase during fiscal 2015 was primarily related to an impairment of exploration and evaluation assets of $4,490,045 versus $Nil for the year ended August 31, 2015. For the year ended August 31, 2015, professional fees increased by $66,632 as well as increases to general and administrative costs.

Net loss from discontinued operations for the year ended August 31, 2014, was $608 compared to a loss from discontinued operations of $1,213 for the year ended August 31, 2013.

At August 31, 2015, the Company entered into a Settlement and Exercise of Security Agreement whereby effective August 31, 2015, the Company assigned and conveyed all of its rights, title and interest in and to Zavala Inc., and issued 10,000,000 shares of common stock of the Company as settlement of a Secured Convertible Note in the amount of $1,608,149 plus interest of $154,179, totaling $1,762,328. As a result of the extinguishment of the Note, the Company's investment in Zavala Inc. has been deconsolidated from the Company's Consolidated Financial Statements as at August 31, 2015 and presented as discontinued operations.

The following table presents the consolidated statements of operations and comprehensive income (loss) of Zavala Inc. for the years set out:

	August 31, 2015	August 31, 2014	August 31, 2013
Expenses			
Accretion	$1,498	$913	$-
General and administrative (recovery)	73,347	(305)	1,213
Bad debt expense	29,756	-	-
Impairment loss on marketable securities	167,815	-	-
Impairment loss on exploration and evaluation assets	4,490,045	-	-
Loss from discontinued operations	(4,762,461)	(608)	(1,213)
Foreign currency translation	(4,692)	3,800	892
Comprehensive income (loss) from discontinued operations	$(4,767,153)	$3,192	$(321)
Loss per share basic and diluted from discontinued operations	$(0.172)	$(0.000)	$(0.000)

Net Loss

Net loss for the year ended August 31, 2015, was $2,695,018 compared to a net loss of $6,115,585 for the year ended August 31, 2014. The increase in net income for fiscal 2015 was attributed to a gain on derivative liabilities of $2,653,591 compared to a loss of $2,735,476 for fiscal 2014, a gain on disposition of subsidiary of $615,881 compared to $Nil in 2014, and a gain on settlement of litigation of $120,125 versus $Nil for the same twelve month period ending August 30, 2014. During fiscal 2015 the Company's general and administrative expenses were significantly lower by $314,418 to $89,007 compared to $403,425 for fiscal 2014. The lower general and administrative expenses for 2015 was primarily attributed to the forgiveness of management fees of $306,250 by the President. For the year ended August 31, 2015 the Company recorded a loss on settlement of debt of $Nil versus a loss on settlement of debt in the amount of $1,335,935 for the same period in 2014. During fiscal 2015, the President forgave $306,250 of management fees accrued. For the year ended August 31, 2015, the Company recorded an impairment loss on exploration and evaluation assets of $4,490,045 versus an impairment loss of $1,315,276 for the year ended August 31, 2014.

Net loss for the year ended August 31, 2014, was $6,115,585 compared to a net loss of $4,266,046 for the year ended August 31, 2013. The increase in net loss during 2014 was primarily related to a loss on derivative liabilities of $2,735,476 compared to a loss of $128,041 during fiscal 2013. This increase in 2014 was attributed to the exchange of a secured note for a secured convertible note during fiscal 2014 which terms and features of the conversion meet the definition of an embedded derivative liability that requires fair value measurement at each reporting period. During the year ended August 31, 2014, the Company recorded an increase in loss on settlement of debt in the amount of $933,671 to $1,335,935 compared to a loss on settlement of debt in the amount of $402,264 during fiscal 2013. The increases during fiscal 2014, were partially offset by a reduction in the impairment of exploration and evaluation assets in the amount of $1,375,292 to $1,315,276 compared to $2,690,568 in fiscal 2013.

Other Comprehensive Income (Loss)

Unrealized Loss on Marketable Securities-Continuing Operations

For the year ended August 31, 2015, the Company recorded an unrealized loss on marketable securities of $110,525 versus a loss of $Nil for the year ended August 31, 2014.

Effective March 25, 2015, the Company entered into a settlement agreement with a former director of the Company and received 1,200,000 common shares and 1,200,000 common share purchase warrants of Stratex exercisable at US$0.15 per expiring December 31, 2018. The 1,200,000 common shares and warrants were recorded at fair value of $120,125 and allocated to marketable securities and gain on settlement of litigation.

At each financial reporting period, the Company estimates the fair value of investments which are held-for-trading, based on quoted closing bid prices at the consolidated statements of financial position date or the closing bid price on the last day the security traded if there were no trades at the consolidated statements of financial position date and such valuations are reflected in the consolidated financial statements.

Foreign Currency Translation-Continuing Operations

For the year ended August 31, 2015, the Company recorded a loss on translation of foreign subsidiary of $Nil versus a loss of $203,765 for the year ended August 31, 2014.

For the year ended August 31, 2014, the Company recorded a loss on translation of foreign subsidiary of $203,765 versus a gain of $313,228 for the year ended August 31, 2013.

These losses are related to translation differences between Dyami Energy's US dollar functional currency converted into Canadian dollars at the period end exchange rates, and the results operations converted at average rates of exchange for the period.

Foreign Currency Translation-Discontinued Operations

For the year ended August 31, 2015, the Company recorded a loss on translation of foreign subsidiary of $4,692 versus a gain of $3,800 for the year ended August 31, 2014.

For the year ended August 31, 2014, the Company recorded a gain on translation of foreign subsidiary of $3,800 versus a gain of $892 for the year ended August 31, 2013.

These losses are related to translation differences between Zavala Inc.'s US dollar functional currency converted into Canadian dollars at the period end exchange rates, and the results operations converted at average rates of exchange for the period.

Total Other Comprehensive Income (Loss)

Total other comprehensive loss for the year ended August 31, 2015, was $115,217 compared to a total other comprehensive loss of $199,965 for the year ended August 31, 2014.

Total other comprehensive loss for the year ended August 31, 2014, was $199,965 compared to total other comprehensive income of $314,120 for the year ended August 31, 2013.

Net Loss and Comprehensive Loss

Total comprehensive loss for the year ended August 31, 2015, was $2,810,235 compared to a total loss and comprehensive loss of $6,315,550 for the year ended August 31, 2014.

Total loss and comprehensive loss for the year ended August 31, 2014, was $6,315,550 compared to a total loss and comprehensive loss of $3,951,926 for the year ended August 31, 2013.

Earnings (Loss) per Share, Basic

Basic earnings per share from continuing operations for the year ended August 31, 2015, was $0.075 compared to a basic loss per share from continuing operations of $0.482 for the same period in 2014.

Basic loss per share from continuing operations for the year ended August 31, 2014, was $0.482 compared to a basic loss per share from continuing operations of $0.407 for the same period in 2013.

Basic loss per share from discontinued operations for the year ended August 31, 2015, was $0.172 compared to a basic loss per share discontinued operations of $0.000 for the same period in 2014.

Basic loss per share from discontinued operations for the year ended August 31, 2014, was $0.000 compared to a basic loss per share from discontinued operations of $0.000 for the same period in 2013.

Total Loss per Share, Basic
Total basic loss per share for the year ended August 31, 2015, was $0.097 compared to a total basic loss per share of $0.482 for the same period in 2014.

Total basic loss per share for the year ended August 31, 2014, was $0.482 compared to a total basic loss per share of $0.407 for the same period in 2013.

Earnings (Loss) per Share, Diluted
Diluted earnings per share from continuing operations for the year ended August 31, 2015, was $0.055 compared to a diluted loss per share from continuing operations of $0.482 for the same period in 2014.

Diluted loss per share from continuing operations for the year ended August 31, 2014, was $0.482 compared to a diluted loss per share from continuing operations of $0.407 for the same period in 2013.

Diluted loss per share from discontinued operations for the year ended August 31, 2015, was $0.172 compared to a diluted loss per share discontinued operations of $0.000 for the same period in 2014.

Diluted loss per share from discontinued operations for the year ended August 31, 2014, was $0.000 compared to a diluted loss per share from discontinued operations of $0.000 for the same period in 2013.

Total Loss per Share, Diluted
Total diluted loss per share for the year ended August 31, 2015, was $0.117 compared to a total diluted loss per share of $0.482 for the same period in 2014.

Total diluted loss per share for the year ended August 31, 2014, was $0.482 compared to a total diluted loss per share of $0.407 for the same period in 2013.

SUMMARY OF QUARTERLY RESULTS – CONTINUING OPERATIONS

The following tables reflect the summary of quarterly results for the periods set out.

For the quarter ending	2015 August 31	2015 May 31	2015 February 29	2014 November 30
Revenue, net of royalties	$15,791	$11,905	$11,794	$13,565
Net income (loss) for the period	$3,527,501	$(1,058,670)	$274,941	$(676,329)
Earnings (loss) per share, basic	$0.126	$(0.038)	$0.010	$(0.024)
Earnings (loss) per share, diluted	$0.096	$(0.038)	$0.005	$ (0.024)

Fiscal 2015
Revenue, net of royalties for the four quarters fluctuated as a result of changes in production volume and commodity prices. For the three month period ended August 31, 2015, the Company recorded gain on derivative liabilities of $2,653,591, and a gain on disposal of subsidiary of $615,881. For the three month period ended May 31, 2015, the Company recorded a loss on derivative financial liabilities of $738,652 and accretion of $327,793 on a secured convertible note. For the three month period February 28, 2015, the Company record a gain on derivative liabilities of $751,502. During the quarter ended November 30, 2014, the Company recorded a loss on derivative liabilities of $263,551 and stock based compensation expense of $112,693.

For the quarter ending	2014 August 31	2014 May 31	2014 February 29	2013 November 30
Revenue, net of royalties	$ 19,551	$ 22,116	$ 9,754	$ 13,603
Net income (loss) for the period	$ (4,330,816)	$ (1,272,001)	$ (400,001)	$ (112,159)
Loss per share, basic and diluted	$ (0.327)	$ (0.098)	$ (0.032)	$ (0.010)

Fiscal 2014
Revenue, net of royalties for the four quarters fluctuated as a result of changes in production volume and commodity prices. During the quarter ended August 31, 2014, the company recorded a loss on derivative liabilities of $2,676,655 and loss on settlement of debt in the amount of $1,335,935 upon the settlement of shareholders loans and interest due, in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,102 units in the capital of the Company at a price of $0.08 per unit. During the quarter ended May 31, 2014, the Company recorded a net impairment loss on exploration and evaluation assets in the amount of $1,315,276. During the three months ended February 2014, the Company recorded a loss on foreign exchange of $146,645. Other changes in net loss during the quarters were primarily related to increases in general and administrative costs, gain or loss on foreign exchange and the fair value movement of derivative warrant liabilities during the respective periods.

FOURTH QUARTER RESULTS-CONTINUING OPERATIONS

Historical Production	For the Three Months Ended August 31	
	2015	**2014**
Natural gas – mcf/d	65	62
Historical Prices		
Natural Gas - $/mcf	$3.30	$4.30
Royalties costs - $/mcf	$0.68	$0.82
Production costs - $/mcf	$1.23	$1.22
Net back - $/mcf	$1.39	$2.26
Operations		
Revenue, net of royalties	$15,791	$19,551
Net income (loss)	$3,527,501	$(4,330,816)
Earnings (loss) per share, basic	$0.126	$(0.327)
Earnings (loss) per share, diluted	$0.096	$(0.327)

Production Volume
For the three months ended August 31, 2015 average natural gas sales volumes was 65 mcf/d compared to 62 mcf/d for the same period in 2014. Total production volume for the three months ended August 31, 2015 was 6,023 mcf compared to 5,622 mcf for the same twelve month period in 2014.

Commodity Prices
For the three months ended August 31, 2015 average natural gas prices received per mcf was $3.30 compared to $4.30 for the three months ended August 31, 2014.

Revenue, Net of Royalties	For the Three Months Ended August 31,	
	2015	**2014**
Natural gas sales	$19,874	$24,174
Royalties	(4,083)	(4,623)
Revenue, net of royalties	$15,791	$19,551

Natural gas sales for the three months ended August 31, 2015, was down $4,300 to $19,874 compared to $24,174 for the three months ended August 31, 2014. The decrease in sales for the three month period ended August 31, 2015 was attributed to a decrease in natural gas prices received.

Royalties for the three months ended August 31, 2015, were down by $540 to $4,083 compared to $4,623 for the three months ended August 31, 2014.

As a result of the above, revenue, net of royalties for the three months ended August 31, 2015, decreased to $15,791 compared to $19,551 for the same three month period in 2014.

Operating Costs
For three months ended August 31, 2015, the Company incurred operating costs of $7,410 versus operating costs of in the amount of $6,843 for the same three month period ended August 31, 2014. Increased operating costs for the three months ended August 31, 2015 was primarily a result of higher production volume from the Company's Botha, Alberta wells.

General and Administrative Expenses	For the Three Months Ended August 31	
	2015	2014
Professional fees	$31,035	$94,588
Head office costs	10,500	11,250
Management fees	(268,750)	18,750
Transfer and registrar costs	3,062	12,402
Shareholders information	-	2,857
Office and general costs	1631	1,204
Directors fees	400	600
Consulting fees and expenses	16,000	16,146
Total	$(206,122)	$157,797

General and administrative expenses for the three months ended August 31, 2015, decreased to a recovery of $206,122 compared to general and administrative costs $157,797 for the year ended August 31, 2014. The decrease in general and administrative expenses during 2015, was primarily attributed to $306,250 of management fees being forgiven in the current three month period versus management fees charged of $18,750 in the three month period in 2014. The Company also had decreased professional fees in the amount of $63,553 to $31,035 during 2015 compared to $94,588 in the three month period in 2014. In addition the Company had decreased transfer and registrar costs of $9,340 during the three month period ended August 31, 2015.

Interest Expense

For the three months ended August 31, 2015 the Company incurred interest costs of $77,966 versus interest costs of $171,323 for the three months ended August 31, 2014. The decrease in interest for the quarter in 2015 was attributed decreased shareholder loans in the current three month period.

Gain/Loss on Derivative Liabilities

For the three months ended August 31, 2015, the Company recorded again on derivative liabilities of $2,904,292 compared to a loss on derivative liabilities of $2,676,655 for the three months ended August 31, 2014 as follows:

Derivative Warrant Liabilities

For the three months ended August 31, 2015, the Company recorded an unrealized loss on derivative warrant liabilities of $16,119 compared to an unrealized loss of $1,098 for the three months ended August 31, 2014.

The Company has warrants issued with an exercise price in US dollars which is different to the functional currency of the Company (Canadian Dollars) and accordingly the warrants are treated as a derivative financial liability and the fair value movement during the period is recognized in the statement of operations.

Derivative Unit Liabilities

During the three months ended August 31, 2015, the Company recorded a gain on derivative unit liabilities of $2,920,411 compared to a loss on derivative unit liabilities of $$2,675,557 for the three months ended August 31, 2014.

At August 31, 2014, the Company had a secured convertible note payable with a face value of $1,322,347 (US$1,216,175) (the "Note"). The Note had a conversion option at any time to convert any unpaid principal and accrued interest into conversion units. A conversion unit was comprised of one (1) common share and one (1) common share purchase warrant. Since both the common share component and warrant component contained a variable exercise/conversion price, the conversion unit met the definition of a financial liability under IAS 32"Financial Instruments: Presentation". As a result, the conversion unit is a derivative liability that required fair value measurement each period.

At August 31, 2015, the Company wrote down derivative unit liabilities to fair value being the face value of the Note in the amount of US$1,216,175totaling upon the extinguishment of the Note and recorded a gain.

Loss on Foreign Exchange

For the three months ended August 31, 2015, the Company recorded a loss on foreign exchange of $129,209 versus a loss on foreign exchange of $1,813 for the same three month period in 2014.

These foreign exchange gains and losses are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company.

Gain on disposal of subsidiary

For the three months ended August 31, 2015, the Company recorded a gain on disposal of subsidiary in the amount of $615,881 versus $Nil for the same three month period in 2014.

At August 31, 2015, the Company settled a secured convertible note payable with a face value of US$1,216,175 plus interest of US$121,618, totaling US$1,337,793 by conveying all of its rights, title and interest in and to Zavala Inc., and issuing 10,000,000 shares of common stock of the Company. As a result the Company's extinguishment of the Note, the Company's investment in Zavala Inc. had been deconsolidated from the Company's Consolidated Financial Statements as at August 31, 2015 and the Company recorded a gain on disposal of $615,881.

Loss on Settlement of Debt
For the three months ended August 31, 2015, the Company recorded a loss on settlement of debt in the amount of $Nil compared to $1,335,935 for the same three month period in 2014.

During the third quarter fiscal 2014, the Company issued 14,757,120 units as full settlement of shareholders' loans and interest in the aggregate amount of $1,180,570. The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as loss on settlement of debt.

Net Earnings (Loss) from Continuing Operations
Net earnings from continuing operations for the three months ended August 31, 2015, was $ $3,527,501 compared to a net loss from continuing operations of $4,330,816 for the three months ended August 31, 2014. During the three month period in 2015, the Company recorded a gain on derivative liabilities of $2,904,292 versus a loss of $2,676,655 for the same three month period in 2014. In 2014, the Company recorded a loss on settlement of debt in the amount of $1,335,935 compared to $Nil in the current period in 2015. Also for the three months ended August 31, 2015, the Company recorded a gain on disposition of subsidiary of $615,881 compared to Nil for the three months ended August 31, 2014 and a recovery of management fees in 268,750 compared to a charge of $18,750 for the same three months period in 2014.

Net Earnings (Loss) from Discontinued Operations
For the three months ended August 31, 2015, net earnings from discontinued operations was $11,146 compared to a net loss from discontinued operations of $1,276 for the three months ended August 31, 2014. During the three month period in 2015, the Company recorded a recovery of exploration and evaluation assets in the amount of $230,149 versus $Nil recorded in the same three month period ending August 31, 2014. For the three months ended August 31, 2015, the Company recorded a loss on marketable securities of $167,815 compared to $Nil for the same three month period in 2014. For the three month period ending August 31, 2015, general and administrative costs were $73,347 compared to $933 for the same three month period in 2014.

Net Earnings (Loss)
Net income for the three months ended August 31, 2015 was $3,958,566 compared to a net loss of $4,332,092 for three months ended August 31, 2014. During the three month period in 2015, the Company recorded a gain on derivative liabilities of $2,904,292 versus a loss of $2,676,655 for the same three month period in 2014. In 2014 the Company recorded a loss on settlement of debt in the amount of $1,335,935 compared to $Nil in the current period 2015. During the three month period in 2015, the Company recorded a recovery of exploration and evaluation assets in the amount of $230,149 versus $Nil recorded in the same three month period ending August 31, 2014.

Other Comprehensive Income (Loss)
Unrealized Loss on Marketable Securities-Continuing Operations
For the three months ended August 31, 2015, the Company recorded an unrealized loss on marketable securities in the amount of $57,007 compared to $Nil for the same three month period in 2014.

Foreign Currency Translation-Discontinued Operations
For the three months ended August 31, 2015 the Company recorded a loss on translation of foreign subsidiaries from discontinued operations in the amount of $695,899 compared to a loss on translation of foreign subsidiaries of $1,771 for the three months ending August 31, 2014.

Total Other Comprehensive Income (Loss)
Total comprehensive loss for the three month period ended August 31, 2015 was $752,906 versus $1,771 for the three month period ending August 31, 2015.

Net Earnings (Loss) and Comprehensive Income (Loss)
Net earnings and comprehensive income for the three months ended August 31, 2015 was $2,785,741 compared to a net loss and comprehensive loss of $4,333,863 for the three month period ended August 31, 2014.

Earnings (Loss) per Share, Basic
Basic earnings per share from continuing operations for the three months ended August 31, 2015, was $0.126 compared to a basic loss per share from continuing operations of $0.327 for the same three month period in 2014.

Basic earnings per share from discontinued operations for the three months ended August 31, 2015 and August 31, 2014 was $0.000.

Total Earnings (Loss) per Share, Basic
Total basic earnings per share for the three months ended August 31, 2015, was $0.126 compared to a total basic loss per share of $0.327 for the same period in 2014.

Earnings (Loss) per Share, Diluted
Diluted earnings per share from continuing operations for the three months ended August 31, 2015, was $0.096 compared to a diluted loss per share from continuing operations of $0.327 for the same period in 2014.

Diluted earnings per share from discontinued operations for the three months ended August 31, 2015 and August 31, 2014 was $0.000.

Total Earnings per Share, Diluted
Total diluted earnings per share for the three months ended August 31, 2015, was $0.096 compared to a total diluted loss per share of $0.327 for the same period in 2014.

CAPITAL EXPENDITURES

For the year ended August 31, 2015, the Company recorded net additions to exploration and evaluation assets from discontinued operations in the amount of $109,874 on the Matthews Lease located in Zavala County, Texas (August 31, 2014: $113,578).

The Company expects that capital expenditures will increase in future reporting periods as the Company seeks further opportunities and ventures of merit.

FINANCING ACTIVITIES

During the year ended August 31, 2015, shareholders' loans increased by $502,908 and loans payable increased by $196,998.

At August 31, 2015, the Company extinguished a Secured Convertible Note in the amount US$1,216,175 plus interest of US$121,618 though a Settlement and Exercise of Security Agreement, whereby effective August 31, 2015, the Company assigned and conveyed all of its rights, title and interest in and to Zavala Inc., and issued 10,000,000 shares of common stock of the Company.

During the year ended August 31, 2014, the Company issued 14,757,102 common shares as full settlement of shareholders' loans and interest in the aggregate amount of $1,180,570.

LIQUIDITY AND CAPITAL RESOURCES

Cash as of August 31, 2015 was $32,192 compared to cash of $103,215 at August 31, 2014. During the year ended August 31, 2015, the Company had received payments of certain obligations under Joint Development Agreements on the Matthews Lease of $378,577 (August 31, 2014: $340,811).

For the year ended August 31, 2015, the primary use of funds was related to exploration and evaluation asset expenditures incurred on the Company's Matthews lease located in Zavala County, Texas and administrative expenses. The Company's working capital deficiency at August 31, 2015 was $3,233,160 compared to a working capital deficiency of $3,489,237 at August 31, 2014.

Our current assets of $93,115 as at August 31, 2015, ($260,336 as of August 31, 2014) include the following items: cash $32,192 ($103,215 as of August 31, 2014); trade and other receivables $51,323 ($157,121 as of August 31, 2014); marketable securities $9,600 ($Nil as of August 31, 2014).

Our current liabilities of $3,326,275 as of August 31, 2015 ($3,749,573 as of August 31, 2014) include the following items: trade and other payables $1,630,809 ($1,483,775 as of August 31, 2014); shareholders' loans $339,588 ($981,834 as of August 31, 2014); loans payable of $1,063,105 as of August 31, 2015 ($Nil as of August 31, 2014); derivative liabilities of $281,210 ($1,094,392 as of August 31, 2014); deferred revenue of $Nil ($177,804 as of August 31, 2014); and provisions of $11,563 ($11,768 as of August 31, 2014).

At August 31, 2015, the Company had outstanding 7,378,560 common share purchase warrants exercisable at $0.10 per share. If any of these common share purchase warrants were exercised it would generate additional capital for us.

If any of these common share purchase warrants are exercised it would generate additional capital for us.

Management of the Company recognizes that cash flow from operations is not sufficient to develop its oil and gas operations or meet its working capital requirements. The Company has liquidity risk which necessitates the Company to obtain debt financing, enter into joint venture arrangements, or raise equity. There is no assurance the Company will be able to obtain the necessary financing in a timely manner.

The Company's past primary source of liquidity and capital resources has been proceeds from the issuance of share capital, shareholders' loans and cash flow from oil and gas operations.

If the Company issued additional common shares from treasury it would cause the current shareholders of the Company dilution.

Outlook and Capital Requirements
A part of our oil and gas development program, we anticipate further expenditures may be required to define reserves and extract hydrocarbons. Amounts expended on future exploration and development is dependent on the nature of future opportunities evaluated by us and cash calls from joint venture participants. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by us, or by other means. Our long-term profitability will depend upon our ability to successfully implement our business plan.

PROVISIONS

	Decommissioning Obligations (Note a)	Other Provisions (Note b)	Total Provisions
Balance, August 31, 2013	$119,742	$178,553	$298,295
Accretion expense	961	-	961
Change in estimates	7,225	-	7,225
Disposals	(26,426)	-	(26,426)
Reductions	-	(169,196)	(169,196)
Dissolution of subsidiary	(58,589)		(58,589)
Foreign exchange	4,630	(9,357)	(4,727)
Balance, August 31, 2014	$47,543	$ -	$47,543
Accretion expense	1,498	-	1,498
Change in estimates	(11,253)	-	(11,253)
Additions	98,357	-	98,357
Obligations settled	(205)	-	(205)
Deconsolidation of Zavala Inc.	(102,143)	-	(102,143)
Foreign exchange	(22,234)	-	(22,234)
Balance, August 31, 2015	**$11,563**	**$-**	**$11,563**

a) Decommissioning Obligations
The Company's decommissioning obligations result from its ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of decommissioning obligations to be $11,563 as at August 31, 2015 (August 31, 2014: $47,543 ($11,768 current and $35,775 long term)) based on an undiscounted total future liability of $11,563 (August 31, 2014: $60,629). These payments are expected to be incurred during 2016.

b) Other Provisions
On January 28, 2014, a vendor of Dyami Energy received a summary judgment against Dyami Energy in the amount of $169,196 plus interest at a rate of 18% per annum from September 17, 2012 until paid, and legal fees of $21,178 and interest at a rate of 5% per annum from the date of judgment until paid (District Court of Zavala County, Texas Case No. 13-02-12941-ZCV). During 2013 the full amount of the provision was recorded together with legal fees and interest and transferred to trade and other payables.

SECURED NOTE PAYABLE AND SHAREHOLDERS' LOANS

Secured Note Payable

As at August 31, 2014, the Company exchanged a secured note payable to Benchmark with a carrying value of $1,322,347 (US$1,216,175) for a secured convertible promissory note payable to Benchmark with a face value of $1,322,347 (US$1,216,175) (the "Note"). The Note had an interest rate of 10%. The Note was due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Company of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default. The Note was secured by all of the assets of the Company and Zavala Inc. Benchmark had the option at any time while the Note was outstanding to convert any unpaid principal and accrued interest into conversion units. A conversion unit was comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The price of the conversion unit was the lessor of a price equal to the 30-day VWAP of the Company as of the date of conversion, less 20% (as adjusted for any stock splits, combinations or similar events) or eight United States Cents (US$0.08) per share the "Conversion Unit").

The Company had accounted for this transaction as an exchange of debt instruments. Under IAS 39 "Financial Instruments: Recognition and Measurement", an exchange between an existing borrower and lender of debt instruments with substantially different terms or substantial modification of the terms of an existing financial liability of part thereof is accounted for as an extinguishment. Since the new debt instrument had a conversion option, the terms were considered substantially different and therefore gave rise to extinguishment accounting. Further, the Company analyzed the conversion unit under IAS 39 and determined that it meets the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contain a variable exercise/conversion price, the Conversion Unit meets the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". As a result, the Conversion Unit is a derivative liability that requires fair value measurement each period.

As at August 31, 2014, the Company allocated the old note first to the derivative component at its fair value with the residual allocated to the host debt contract, as follows:

	Allocation CDN$
Secured promissory note (old debt instrument)	$ 1,322,347
Derivative liability (Conversion Unit)	(4,000,100)
Loss on exchange of debt instruments	2,677,753
	$ -

The Note was being accreted up to its face value of $1,322,347 (US$1,216,175) over the life of Note based on an effective interest rate. For the year ended August 31, 2015, the Company recorded interest on the Note of $154,179 (August 31, 2014: $104,237).

In accordance with the terms of the Note and the General Security Agreement (the "Loan Agreements") the Company had granted and conveyed to Benchmark a first priority security interest in the Company and Zavala Inc., prior and superior to the rights of all third parties existing on or arising after the date of such Loan Agreements, subject to the Permitted Liens.

At August 31, 2015, the Company was unable to pay the Note CDN$1,608,149 plus interest of CDN$154,179, totaling CDN$1,762,328, which constituted an event of default pursuant to the terms of the Loan Agreements. Benchmark, having made demand for payment of all amounts owed to it under the Note, gave notice to the Company that it intended to exercise its security on the Company's assets.

In an effort to avoid further costs, the Company and Benchmark entered into a Settlement and Exercise of Security Agreement effective August 31, 2015, with the following terms:

1. Effective August 31, 2015, the Company assigns and conveys to Benchmark all of its rights, title and interest in and to Zavala Inc., including but not limited to all of the issued and outstanding common shares of Zavala Inc.; and

2. Issuance of 10,000,000 shares of common stock of the Company.

As a result the Company's extinguishment of the Note, the Company's investment in Zavala Inc. has been deconsolidated from the Company's Consolidated Financial Statements as at August 31, 2015 (Note 16 a).

The following table presents the effect of the extinguishment of the Note on the consolidated financial statements of the Company:

	August 31, 2015
Secured note payable	$1,608,149
Interest payable	154,179
Net assets and liabilities of Zavala Inc. (Note 16)	(836,717)
Common shares (Note 12 a)	(925,611)
	$-

Shareholder Loans

Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. Each unit is comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$0.10 until August 30, 2017. The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as loss on settlement of debt. The original terms of the debt did not include settlement by the issuance of equity instruments.

Accounting Considerations

The Company has accounted for this transaction as an extinguishment of debt instruments for equity instruments under the guidance of IFRIC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments". IFRIC 19 addresses the accounting of when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It states that if a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are 'consideration paid' in accordance with IAS 39.41. Accordingly, the debtor should derecognise the financial liability fully or partly. IFRIC 19 further states that the debtor recognises in profit or loss the difference between the carrying amount of the financial liability (or part) extinguished and the fair value of the equity instruments issued. As result, the Company recorded a loss on extinguishment in the amount of $1,335,935 in profit and loss which is the difference of the fair value of the equity instruments ($2,516,505) and the carrying value of the debt instruments ($1,180,570).

The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock. The fair value of the conversion unit ($2,516,505) was allocated to the common stock component ($1,715,426) and warrant component ($801,079) based on their relative fair values. Significant assumptions utilized in the Binomial Lattice process are as follows for the warrant component of the conversion unit as of August 30, 2014:

	August 30, 2014
Market value on valuation date	$0.16
Contractual exercise rate	$0.092
Term (years)	5.00 Years
Expected market volatility	196.97%
Risk free rate using zero coupon US Treasury Security rate	0.94%

DERIVATIVE LIABILITIES

At August 31, 2015, the Company recorded a net gain on derivative liabilities of $2,653,591 comprised of a loss on derivative warrant liabilities of $214,109 and a gain derivative unit liabilities of $2,867,700 (August 31, 2014: loss of $2,735,476 comprised of a loss on derivative warrant liabilities of $57,725 and a loss on derivative unit liabilities of $2,677,751).

Derivative Warrant Liabilities

The Company has warrants issued with an exercise price in US dollars which are different from the functional currency of the Company (Canadian Dollars) and accordingly the warrants are treated as a financial liability and the fair value movement during the period is recognized in the profit or loss.

The following table set out the changes in derivative warrant liabilities during the respective periods.

	Number of Warrants*	Fair Value Assigned $	Average Exercise Price US $
As at August 31, 2013	914,761	1,976,883	4.72
Warrants expired	(170,923)	(709,299)	(0.93)
Change in fair value estimates	-	57,723	-
As at August 31, 2014	743,838	1,325,307	3.74
Warrants expired	(613,350)	(1,258,206)	(4.66)
Change in fair value estimates	-	214,109	
As at August 31, 2015	**130,488**	**281,210**	**4.66**

* Reflects the August 25, 2014 one-for-ten consolidation

On August 31, 2014 170,923 warrants exercisable at US$5.00 expired and the fair value measured using the Black-Scholes option pricing model of $709,299 was recorded as an increase to contributed surplus.

On April 13, 2015, 187,500 and 30,000 warrants exercisable at US$5.00 and US$2.50, respectively expired and the fair value measured using the Black-Scholes option pricing model of $535,542 was recorded as an increase to contributed surplus.

On July 20, 2015, 91,250 and 14,600 warrants exercisable at US$5.00 and US$2.50, respectively expired and the fair value measured using the Black-Scholes option pricing model of $194,409 was recorded as an increase to contributed surplus.

On August 7, 2015, 250,000 and 40,000 warrants exercisable at US$5.00 and US$2.50, respectively expired and the fair value measured using the Black-Scholes option pricing model of $528,255 was recorded as an increase to contributed surplus.

The following tables set out the number of derivative warrant liabilities outstanding as at August 31, 2015 and 2014, respectively:

Number of Warrants*	Exercise Price US ($)*	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
112,490	5.00	September 25, 2015(1)	0.07	220,640
17,998	2.50	September 25, 2015(1)	0.07	60,570
130,488			**0.07**	**281,210**

* Reflects the August 25, 2014 one-for-ten consolidation
(1) Current

Number of Warrants*	Exercise Price US ($)*	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
187,500	5.00	April 13, 2015 (1)	0.62	365,474
30,000	2.50	April 13, 2015(1)	0.62	99,420
91,250	5.00	July 20, 2015(1)	0.88	133,431
14,600	2.50	July 20, 2015(1)	0.88	35,915
250,000	5.00	August 7, 2015(1)	0.93	365,964
40,000	2.50	August 7, 2015(1)	0.93	94,188
112,490	5.00	September 25, 2015	1.07	181,178
17,998	2.50	September 25, 2015	1.07	49,737
743,838			0.70	1,325,307

(1) Current
* Reflects the August 25, 2014 one-for-ten consolidation

Derivative Unit Liabilities

The following tables summarize the components of the Company's derivative liabilities reflected in US Dollars and linked common shares as at August 31, 2015 and 2014:

The financings giving rise to derivative financial instruments	**August 31, 2015** Indexed Shares	Fair Values $CDN	August 31, 2014 Indexed Shares	Fair Values $CDN
Conversion unit (1 common share and 1 common share purchase warrant)	-	-	15,202,188	(4,000,100)

Effective August 31, 2015, the Company entered into a Settlement and Exercise of Security Agreement and extinguished the Note and its underlying derivative financial instruments. At August 31, 2014 the Company issued a face value $1,322,347 (US$1,216,175) Secured Convertible Promissory Note which gave rise to a derivative financial instrument (the "Note"). The Note had embodied certain terms and conditions that were not clearly and closely related to the host debt agreement in terms of economic risks and characteristics and met the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". These terms and conditions consisted of a conversion unit which was comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit (Note 9 to the Consolidated Financial Statements).

Accounting principles provided in IAS 32 and IAS 39 required derivative financial instruments to be classified in liabilities and carried at fair value with changes recorded in profit and loss. The Company had selected the Monte Carlo Simulations valuation technique to fair value the common share component of the conversion unit because it believed that this technique was reflective of significant assumption types, and ranges of assumption inputs, that market participants would likely consider in transactions involving common share components. Such assumptions included, among other inputs, interest risk assumptions, credit risk assumptions and redemption behaviors in addition to traditional inputs for option models such as market trading volatility and risk free rates.

The Company had selected the Binomial Lattice model to fair value the warrant component of the conversion unit because it believed this technique is reflective of significant assumption types market participants would likely consider in transactions involving warrants.

Significant inputs and results arising from the Monte Carlo Simulations process were as follows for the common share component contained in the conversion unit:

	August 31, 2014
Underlying price on valuation date*	$0.3090
Contractual conversion rate	$0.08
Contractual term to maturity	1.00 Years
Implied expected term to maturity	0.613 Years
Market volatility:	
Range of volatilities	78.41% - 269.09%
Equivalent volatility	181.25%
Contractual interest rate	10.0%
Equivalent market risk adjusted interest rate	10.00%
Equivalent credit risk adjusted yield	3.45%

*The underlying price of the common share component of the conversion unit was the sum of the market price on the valuation date and the fair value of the warrant component derived from the binomial lattice model.

Significant assumptions utilized in the Binomial Lattice process are as follows for the warrant component of the conversion unit was as follows:

	August 31, 2014
Market value on valuation date	$0.16
Contractual exercise rate	$0.092
Term (years)	5.00 Years
Expected market volatility	179.21%
Risk free rate using zero coupon US Treasury Security rate	1.63%

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SEGMENTED INFORMATION

The Company's reportable and geographical segments are Canada and the United States. The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Effective August 31, 2015, the Company discontinued its reportable segment in the United States. The following tables show information regarding the Company's reportable segments.

For the year ended August 31, 2015	**Canada**	**United States**	**Total**
Net revenue, continuing operations	$53,055	-	$53,055
Net income, continuing operations	$2,067,443		$2,067,443
Net loss, discontinued operations	-	$(4,762,461)	$(4,762,461)
Net income (loss)	$2,067,443	$(4,762,461)	$(2,695,018)

For the year ended August 31, 2014	Canada	United States	Total
Net revenue, continuing operations	$65,024	-	$65,024
Net loss, continuing operations	$(6,114,977)	-	$(6,114,977)
Net loss, discontinued operations	-	$(608)	$(608)
Net loss	$(6,114,977)	$(608)	$(6,115,585)

For the year ended August 31, 2013	Canada	United States	Total
Net revenue, continuing operations	$30,062	-	$30,062
Net loss, continuing operations	$(4,264,833)	-	$(4,264,833)
Net loss, discontinued operations	-	$(1,213)	$(1,213)
Net loss	$(4,264,833)	$(1,213)	$(4,266,046)

As at August 31, 2015	**Canada**	**United States**	**Total**
Total Assets	$93,115	-	$93,115
Total Liabilities	$(3,326,275)	-	$(3,326,275)

As at August 31, 2014	Canada	United States	Total
Total Assets	$179,888	$5,117,040	$5,296,928
Total Liabilities	$6,991,287	$1,025,076	$8,016,363

SEASONALITY AND TREND INFORMATION

The Company's oil and gas operations is not a seasonal business, but increased consumer demand or changes in supply in certain months of the year can influence the price of produced hydrocarbons, depending on the circumstances. Production from the Company's oil and gas properties is the primary determinant for the volume of sales during the year.

The level of activity in the oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas properties are located in areas that are inaccessible except during the winter months because of swampy terrain and other areas are inaccessible during certain months of year due to deer hunting season. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of the Company.

The impact on the oil and gas industry from commodity price volatility is significant. During periods of high prices, producers conduct active exploration programs. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers also decline.

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore effected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. Material increases in the value of the Canadian dollar may negatively impact production revenues from Canadian producers. Such increases may also negatively impact the future value of such entities' reserves as determined by independent evaluators. In recent years, the Canadian dollar has increased materially in value against the United States dollar.

RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the exchange amount being the amount agreed to by the related parties, which approximates the arm's length equivalent value.

Compensation of Key Management Personnel
The remuneration of directors and other members of key management personnel during the years ended were as follows:

	August 31, 2015	August 31, 2014	August 31, 2013
Short term employee benefits (1)	$150,000	$75,000	$75,000
Directors stock based compensation (2)	84,520	-	
	$234,520	$75,000	$75,000

The following balances owing to the President of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	August 31, 2015	August 31, 2014
Short term employee benefits (1)	$125,000	$281,250
	$125,000	$281,250

(1) During the year ended August 31, 2015 the Company accrued management fees for the President of the Company at a rate of $12,500 per month. On August 31, 2015, the President forgave $306,250 of management fees.
(2) On November 12, 2014, the Company granted options to purchase 750,000 common shares to three directors of the Company. These options are exercisable at $0.12 per share, vest immediately and expire on November 11, 2019 (see Note 12 d to the Consolidated Financial Statements).

As at August 31, 2015 the amount of directors' fees included in trade and other payables was $21,600 (August 31, 2014: $19,200).

As at August 31, 2015, the Company had a promissory note payable to the President of the Company of $10,000 (August 31, 2014: $Nil). For the year ended August 31, 2015, the Company recorded interest on a promissory note to the President of $838 (August 31, 2014: $24,162). As at August 31, 2015, included in trade and other payables is outstanding interest of $111,009 (August 31, 2014: $91,727). The note is due on demand and bears interest at 10% per annum. Interest is payable annually on the anniversary date of the note. Effective February 27, 2014, 651,904 common share purchase warrants expiring February 27, 2014, were exercised by the President of the Company at $0.35, for settlement of cash advances of $228,167 (Note 12 b (a)). On August 30, 2014, the Company issued 1,628,700 units at $0.08 per unit as full settlement of a promissory note payable to the President of US$120,000 (Note 12 b (c) and Note 10 to the Consolidated Financial Statements).

As at August 31, 2015, the Company had a note payable to Core Energy Enterprises Inc. ("Core") of $339,588 (US$249,250) (August 31, 2014: US$249,250). For the year ended August 31, 2015, the Company recorded interest on the promissory notes of $32,958 (August 31, 2014: $Nil). As at August 31, 2015, included in trade and other payables, is interest of $33,049 (August 31, 2014: $Nil). The note is due on demand and bears interest at 10% per annum. Interest is payable annually on the anniversary date of the note. During the year ended August 31, 2015, Zavala Inc. issued a note to Core in the amount US$279,053 and recorded interest on the note of $4,353 (Note 9 and Note 16 a, to the Consolidated Financial Statements). The President of the Company is a major shareholder, officer and a director of Core.

As at August 31, 2015, the Company had, loans payable of $196,998 to 1288131 Alberta Ltd. (August 31, 2014: $Nil). For the year ended August 31, 2015, the Company recorded interest on the loans payable of $15,619. At August 31, 2015, included in trade and other payables, is interest of $15,619 (August 31, 2014: $Nil). The loans are payable on demand and bear interest at 10% per annum. Colin McNeil a director of the Company is also an officer, director and shareholder of 1288131 Alberta Ltd., (Note 17 to the Consolidated Financial Statements).

As at August 31, 2015, the Company had shareholders' loans payable of ($866,107) US$655,000. (August 31, 2014: US$655,000). For the year ended August 31, 2015 the Company recorded interest of $86,611 (August 31, 2014: $180,349) on the shareholders' loans. As at August 31, 2015, the Company received notice that the shareholders loans were assigned and the Company has reclassified the amounts to loans payable. At August 31, 2015, included in trade and other payables, is interest of $86,848 (August 31, 2014: $269). The loans are payable on demand and bear interest at 10% per annum. Interest is payable annually on the anniversary date of the loans. On August 30, 2014, the Company issued 13,128,420 units at $0.08 per unit as full settlement of shareholder loans payable of US$529,250, $250,000 and interest payable of $225,614 (Note 12 b (c), Note 9 and Note17 to the Consolidated Financial Statements).

NATURE OF BUSINESS AND GOING CONCERN

Eagleford Energy Corp. ("Eagleford" or the "Company") was amalgamated under the Business Corporations Act (*Ontario)* on November 30, 2009. The principal activities of the Company consist of exploration, development and production of petroleum and natural gas properties. In addition, the Company holds a 0.3% net smelter return royalty on 8 mining claim blocks located in Red Lake, Ontario which is carried on the consolidated statement of financial position at nil.

The Company's registered office is 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1.

The Company's common shares trade on the Over-the-Counter Bulletin Board (OTCQB) under the symbol EGFDF.

The consolidated financial statements include the accounts of Eagleford, the legal parent, together with its wholly-owned subsidiary, 1354166 Alberta Ltd. ("1354166 Alberta") a company operating in the province of Alberta, Eagleford Energy, Zavala Inc., ("Zavala Inc.") a Nevada company and its wholly owned subsidiary EEZ Operating Inc. a Texas company ("EEZ Operating") a Texas company incorporated May 12, 2015, until the date of disposition of Zavala Inc., on August 31, 2015 and Dyami Energy LLC ("Dyami") which was dissolved effective April 3, 2014. These consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of exploring and developing its oil and gas properties and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of exploration and development of its oil and gas properties.

Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, or other means of funding its operations, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

The Company has accumulated significant losses and negative cash flows from operations in recent years which raise doubt as to the validity of the going concern assumption. The Company has a working capital deficiency of $3,233,160 (2014: $3,489,237) and an accumulated deficit of $18,023,164 (2013: $15,328,146). These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, the consolidated financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying consolidated financial statements.

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 interpretations issued by the International Financial Reporting Committee ("IFRAC"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 23, 2015, the date the Board of Directors approved the consolidated financial statements.

Basis of Measurement
The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

Functional and Presentation Currency
The functional and presentation currency of the Company is the Canadian dollar. The functional currency of the Company's wholly-owned Alberta subsidiary, 1354166 Alberta, a company operating in the province of Alberta, Canada, is Canadian dollars. The functional currency of the Company's former wholly-owned Nevada subsidiary, Zavala Inc., and its' wholly-owned subsidiary EEZ Operating, a Texas company incorporated May 12, 2015 was United States dollars. The Company's former wholly-owned Texas subsidiary, Dyami functional currency was United States dollars.

Use of Estimates and Judgements
The timely preparation of the consolidated financial statements in accordance with IFRS requires that management make estimates and assumptions and use judgment regarding the measured amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Such estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Valuation and Classification of Exploration and Evaluation Assets
The value of exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves which in turn is dependent on future oil and natural gas prices, future capital expenditures and environmental and regulatory restrictions. The decision to transfer exploration and evaluation assets to property and equipment is based upon management's determination of an area's technical feasibility and commercial viability based on proved and/or probable reserve estimates.

Title to Oil and Gas Property Interests
Although the Company has taken steps to verify title to oil and gas 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.

Stock Based Compensation
The Company measures the cost of equity-settled transactions to the relative fair value of the equity instruments at the date at which they are issued. Estimating relative fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the instrument. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, discount rates and dividend yield.

Decommissioning Liabilities
Decommissioning liabilities consist of asset retirement obligations that are based, in part, on estimates of future costs to settle the obligation, in addition to estimates of the useful life of the underlying assets, the rate of inflation and the risk-free discount rate.

Fair Value of Financial Instruments
The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Assessment of Commercial Reserves
Management is required to assess the level of the Company's commercial reserves together with the future expenditures to access those reserves, which are utilized in determining the depletion charge for the period, assessing whether any impairment charge is required against developed or undeveloped properties, and the determination of the deferred tax liability. By their nature, these estimates of discovered proved and probable crude oil and natural gas reserves, including the estimates of future prices, costs, related future cash flows and the selection of a pre-tax risked discount rate relevant to the asset in question are subject to measurement uncertainty.

The Company employs an independent reserves evaluator who periodically assesses the Company's level of commercial reserves by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Company's assets. Significant judgment is involved when determining whether there have been any significant changes in the Company's reserves.

Income taxes
Income taxes liability is estimated for the Company, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgment is required in the calculation of current and deferred taxes, as well as the likelihood of realization.

Provisions
Considerable judgment is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgment is necessary to determine the likelihood that a pending litigation or other claim will succeed, or a liability will arise and to quantify the possible range of the final settlement.

Significant changes in the assumptions, including those with respect to future business plan and cash flows, could materially change the recorded carrying amounts.

Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

Basis of Consolidation
Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

The consolidated financial statements include the accounts of Eagleford, the legal parent, together with its wholly-owned subsidiary, 1354166 Alberta a company operating in the province of Alberta, Zavala Inc. a Nevada company and its wholly owned subsidiary EEZ Operating a Texas company incorporated May 12, 2015, until the date of disposition of Zavala Inc., on August 31, 2015 and Dyami which was dissolved effective April 3, 2014.

Revenue Recognition
Revenue is recognized when there is persuasive evidence that an arrangement exits which is when a contract or sales order is signed by both parties, delivery has occurred, ownership has been transferred to the customer, price is fixed or determinable and ultimate collection is reasonably assured at the time of delivery.

Revenues from the production of oil and gas properties from 1354166 Alberta are recognized, on the basis of the Company's working interest in those properties, when the significant risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes to an external party.

Foreign Currency
Items included in the consolidated financial statements of each of the Company's wholly owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in other comprehensive income.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the year- end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the foreign currency translation reserve under other comprehensive income.

Loss per Share
The basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation.

Discontinued Operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period. Effective August 31, 2015, the Company assigned all of its right, title and interest in Zavala Inc., as partial settlement of a secured convertible note payable and accordingly its operations have been treated as discontinued operations in the Company's consolidated financial statements.

Comprehensive Income (Loss)
Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. The Company's other comprehensive income (loss) is comprised of foreign currency translation reserve and available for-sale-assets.

Foreign currency translation is related to translation differences between the Company's US dollar functional currency subsidiaries converted into Canadian dollars at the period end exchange rates, and their results of operations converted at average rates of exchange for the period.

Financial Instruments
Classification and Measurement
Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through profit and loss”, “loans and receivables”, “available-for-sale”, “held-to-maturity”, or “other financial liability” as defined by IAS 39, “Financial Instruments: Recognition and Measurement”.

Financial assets and financial liabilities at “fair value through profit or loss” are either classified as “held for trading” or “designated at fair value through profit or loss” and are measured at fair value with changes in fair value recognized in the statement of comprehensive income. Transaction costs are expensed when incurred. The Company has classified cash and derivative liabilities as “fair value through profit and loss”.

Financial instruments classified as “loans and receivables”, “held-to-maturity”, or “financial liabilities” are measured at amortized cost using the effective interest method of amortization. “Loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. “Held-to-maturity” financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity.

“Other financial liabilities measured at amortized cost” are those financial liabilities that are not designated as “fair value through profit or loss” and that are not derivatives. The Company has classified trade and other receivables as “loans and receivables” and trade and other payables, secured note payable, provisions and shareholders’ loans as “other financial liabilities”.

Financial assets classified as “available-for-sale” are measured at fair value, with changes in fair value recognized in other comprehensive income. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company has classified its marketable securities as “available for sale”.

Marketable Securities
At each financial reporting period, the Company estimates the fair value of investments which are available-for-sale, based on quoted closing bid prices at the consolidated statements of financial position date or the closing bid price on the last day the security traded if there were no trades at the consolidated statements of financial position date and such valuations are reflected in the consolidated financial statements. Adjustments to the fair value of the marketable securities at the financial position date are recorded to comprehensive income. The resulting values for unlisted securities whether of public or private issuers, may not be reflective of the proceeds that could be realized by the Company upon their disposition.

Derivative Financial Instruments
The Company’s derivative instruments consist of derivative liabilities in relation to its i) share purchase warrants; and ii) its secured convertible note payable.

In prior years the Company had issued share purchase warrants in conjunction with offerings for the purchase of common shares of the Company. These share purchase warrants were issued with an exercise price in US dollars, rather than Canadian dollars (the presentation and functional currency of the Company). Such share purchase warrants are considered to be derivative instruments and the Company is required to re-measure the fair value of these at each reporting date. The fair value of these share purchase warrants are re-measured at each statement of financial position date using the Black-Scholes option pricing model. Adjustments to the fair value of the share purchase warrants at the financial position date are recorded to the statement of operations.

The Company had a secured convertible note payable that had a conversion feature which may convert any unpaid principal and accrued interest into conversion units. A conversion unit was comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The price of the conversion unit was the lessor of a price equal to the 30-day rolling weighted average price of the Company as of the date of conversion, less 20% (as adjusted for any stock splits, combinations or similar events) or eight United States Cents (US$0.08) per share the “Conversion Unit”). The terms and features of the conversion met the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contain a variable exercise/conversion price, the Conversion Unit met the definition of a financial liability under IAS 32“Financial Instruments: Presentation”. As a result, the Conversion Unit was a derivative liability that required fair value measurement each period. The Company had selected the Binomial Lattice model to fair value the warrant component of the conversion unit and the Monte Carlo Simulations process for the common share component of the conversion unit.

Exploration and Evaluation Assets (“E&E”)
Pre-acquisition expenditures on oil and gas assets are recognized as an expense in the consolidated statements of operations when incurred. In accordance with IFRS 6, exploration and evaluation costs are capitalized within intangible assets until the success or otherwise of the well or project has been established and subject to an impairment review. The costs of unsuccessful wells in an area are written off to the statement of operations.

Exploration and evaluation costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized either as tangible or intangible E&E assets according to the nature of the assets acquired. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

When E&E assets are determined to be technically feasible and commercially viable, the accumulated costs are transferred to property and equipment. When E&E assets are determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to the statement of operations as exploration and evaluation expense.

E&E assets are assessed for impairment in any circumstances where sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to cash-generating units ("CGUs").

Development and Production Costs
Items of property and equipment, which include petroleum and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing.

When significant parts of an item of property and equipment, including petroleum and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property and equipment, including petroleum and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

Subsequent Costs
Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as exploration and evaluation assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized exploration and evaluation assets generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Joint Oil and Gas Activities
All of the Company's oil and gas activities are conducted jointly with others. The Company's accounts reflect only the Company's share of assets, liabilities, revenue and expenses in the joint operations. For interests in joint operations, the Company's share of the jointly controlled assets are classified according to the nature of the assets, the Company's share of any liabilities incurred jointly with the other parties, and the Company's share of any income and expenses incurred jointly with the partners are recognized in the consolidated financial statements.

Depletion and Depreciation
The net carrying value of development or production assets is depleted using the units-of-production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually for developed properties.

Proved and probable reserves are estimated using independent reserve engineer reports for developed properties only and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economic benefit of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved and probable if they are supported by either actual production or conclusive formation tests. The area of reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both; and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Impairment

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. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the profit or loss.

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 the reversal is recognized in profit or loss.

Non-financial Assets

The carrying amounts of the Company's non-financial assets, other than E&E assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to property and equipment as petroleum and natural gas interests, and also if facts and circumstances suggest that their carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

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. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

E&E assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (petroleum and natural gas interests in property and equipment).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets other than goodwill, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning Obligations
The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the period-end date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows and changes to discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Borrowing Costs
Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest method. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Taxes
Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of operations except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income Tax
Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax
Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and asset and they relate to the income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Share-Based Compensation
The Company has a share-based compensation plan that grants stock options to employees and non-employees. This plan is an equity settled plan. The Company uses the fair value method for accounting for share-based awards to employees and non-employees.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis 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 contributed surplus.

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 Company obtains the goods or the counterparty renders the service.

Warrants
When the Company issues units comprising common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of warrants issued is estimated using the Black-Scholes option price model. The fair value is then related to the total of the net proceeds received on issuance of the common shares and the fair value of the warrants issued therewith. The resultant relative fair value is allocated to warrants from the net proceeds and the balance of the net proceeds is allocated to the common shares issued.

Recent Accounting Pronouncements and Recent Adopted Accounting Standards

Recent Issued Accounting Pronouncements
The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

(i) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective September 1, 2018.The Company does not expect the amendment to have a material impact on the consolidated financial statements.

(ii) On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014). In November 2009, the IASB issued the first version of IFRS 9, Financial Instruments (IFRS 9 (2009) and subsequently issued various amendments in October 2010, (IFRS 9 Financial Instruments (2010) and November 2013 (IFRS 9 Financial Instruments (2013). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the consolidated financial statements.

Recent Adopted Accounting Standards
The following standards, amendments and interpretations have been adopted by the Company as of September 1, 2014. There were no material impacts on the consolidated financial statements as a result of the adoption of these standards, amendments and interpretations: (i) IFRIC 21 Levies.

SHARE CAPITAL AND RESERVES

The Company filed Articles of Amendment effective August 25, 2014 consolidating the common shares of Eagleford Energy Inc., on the basis of one (1) common share for every ten (10) common shares and changing its name to Eagleford Energy Corp. The stock consolidation has been applied retrospectively for all periods presented.

a) Share Capital

Authorized:
Unlimited number of common shares at no par value
Unlimited non-participating, non-dividend paying, voting redeemable preference shares

Issued:
The following table sets out the changes in common shares during the respective periods:

Common Shares	Number*	Amount
Balance August 31, 2013	12,262,517	$7,050,350
Warrants exercised (Note 12 b (a))	651,904	306,405
Debt settlement (Note 12 b (c))	14,757,120	1,715,426
Balance August 31, 2014	27,671,541	9,072,181
Common shares issuable upon the settlement of secured convertible note (Note 9)**	10,000,000	925,611
Balance August 31, 2015	**37,671,541**	**$9,997,792**

* Reflects the August 25, 2014 one-for-ten stock consolidation
**Common shares issuable upon the settlement of the secured convertible note subsequent to August 31, 2015 (Note 9)

b) Share Purchase Warrants

The following table sets out the changes in warrants during the respective periods:

Warrants	August 31, 2015 Number of Warrants*	August 31, 2015 Weighted Average Price*	August 31, 2014 Number of Warrants*	August 31, 2014 Weighted Average Price*
Outstanding, beginning of period	9,293,560	$0.18	4,020,095	$0.40
Warrants exercised (Note 12 b (a))			(651,904)	$0.35
Warrants expired (Note 12 b (d) and (b))	(1,915,000)	$0.50	(1,453,191)	$0.35
Warrants issued (Note 12 (c))			7,378,560	$0.10
Balance, end of period	**7,378,560**	**$0.10**	9,293,560	$0.18

* Reflects the August 25, 2014 one-for-ten stock consolidation

(a) Effective February 27, 2014, 651,904 common share purchase warrants were exercised at $0.35 expiring February 27, 2014 for settlement of cash advances of $228,167. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $78,238 (see Note 8 to the Consolidated Financial Statements).

(b) On February 5, 2014, 200,000 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $24,000 with a corresponding increase to contributed surplus. On February 25, 2014, 80,052 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $9,606 with a corresponding increase to contributed surplus. On February 27, 2014, 1,173,139 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $140,793 with a corresponding increase to contributed surplus.

(c) Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. Each unit is comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$0.10 until August 30, 2017.The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as a loss on settlement of debt in the consolidated statement of operations and comprehensive loss. The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock (see Note 9 and 10 to the Consolidated Financial Statements).

(d) On January 24, 2015, 600,000 common share purchase warrants exercisable at $0.50 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $507,038 with a corresponding increase to contributed surplus. On February 17, 2015, 1,315,000 common share purchase warrants exercisable at $0.50 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $662,851 with a corresponding increase to contributed surplus.

(e) Effective August 31, 2015, the Company entered into a Settlement and Exercise of Security Agreement to extinguish a secured convertible note payable in the amount of $1,608,149 plus interest of $154,179 for a total of $1,762,328. As partial consideration of the settlement the Company agreed to shares of common stock of the Company with a fair value of $925,611 (Note 9 to the Consolidated Financial Statements).

The following table summarizes the outstanding warrants as at August 31, 2015 and 2014, respectively:

Number of Warrants*	Exercise Price*	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
7,378,560	$0.10	August 30, 2017	2.00	**801,079**

* Reflects the August 25, 2014 one-for-ten stock consolidation

Number of Warrants*	Exercise Price*	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
600,000	$0.50	January 24, 2015	0.40	$507,038
1,315,000	$0.50	February 17, 2015	0.47	662,851
7,378,560	$0.10	August 30, 2017	3.00	801,079
9,293,560	**$0.50**		**2.47**	**$1,970,968**

* Reflects the August 25, 2014 one-for-ten stock consolidation

c) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	August 31, 2015	August 31, 2014 (*)
Weighted Average Shares Outstanding, basic	**27,698,938**	12,675,329
Weighted Average Shares Outstanding, diluted	**37,555,135**	12,675,329

* Reflects the August 25, 2014 one-for-ten stock consolidation

The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

d) Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding common shares of the Company on a rolling basis.

The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options*	Weighted Average Exercise Price
Balance, August 31, 2014 and 2013	105,000	$1.64
Granted	1,000,000	0.12
Expired	(5,000)	(1.64)
Balance, August 31, 2015	**1,100,000**	**$0.25**

* Reflects the August 25, 2014 one-for-ten stock consolidation

The following table is a summary of the Company's stock options outstanding and exercisable as at August 31, 2015 and 2014, respectively:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Options*	Weighted Average Exercise Price	Weighted Average Remaining Life (Years) (1)	Number of Options*	Weighted Average Exercise Price
$1.60	100,000	$1.60	1.50	100,000	$1.60
$0.12	1,000,000	$0.12	4.20	1,000,000	$0.12
	1,100,000	**$0.25**	**3.95**	**1,100,000**	**$0.25**

* Reflects the August 25, 2014 one-for-ten stock consolidation

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Options*	Weighted Average Exercise Price	Weighted Average Remaining Life (Years) (1)	Number of Options*	Weighted Average Exercise Price
$1.60	100,000	$1.60	2.50	1,00,000	$1.60
$2.50	5,000	$2.50	0.16	5,000	$2.50
	105,000	**$1.64**	**2.39**	**105,000**	**$1.64**

* Reflects the August 25, 2014 one-for-ten stock consolidation

Stock Based Compensation

On November 12, 2014, the Company granted options to purchase 750,000 common shares to directors. These options are exercisable at $0.12 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of $84,520.

Stock Based Compensation – Non Employees

On November 12, 2014, the Company granted options to purchase 250,000 common shares to a consultant of the Company. These options are exercisable at $0.12 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of $28,173.

The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following weighted average assumptions used.

	November 12, 2014
Weighted average fair value per option	$0.11
Weighted average risk free interest rate	1.54%
Forfeiture rate	0%
Weighted average expected volatility	287.49%
Expected life (years)	5
Dividend yield	Nil

e) Contributed Surplus

Contributed surplus transactions for the respective periods are as follows:

	Amount
Balance, August 31, 2013	$506,200
Warrants expired (Note 12 b to the Consolidated Financial Statements)	174,399
Derivative warrants expired (Note 10 to the Consolidated Financial Statements)	709,299
Balance, August 31, 2014	1,389,898
Stock options expired (Note 12 d to the Consolidated Financial Statements)	11,112
Warrants expired (Note 12 b to the Consolidated Financial Statements)	1,169,889
Derivative warrants expired Note 10 to the Consolidated Financial Statements)	1,258,206
Balance, August 31, 2015	**$3,829,105**

SUBSEQUENT EVENTS

On August 13, 2015, the Company filed a petition against Stratex in the District Court of Harris County, Texas seeking breach of the settlement agreement dated March 31, 2015, for monies owed under the settlement agreement and unpaid production revenue of approximately US$44,000 in the aggregate plus damages. On December 4, 2015, the Company obtained a judgment against Stratex in the amount of $62,069.

On September 25, 2015, 112,490 and 17,998 derivative warrants exercisable at US$5.00 and US$2.50, respectively expired and the fair value measured using the Black-Scholes option pricing model of $281,210 was recorded as an increase to contributed surplus.

On December 22, 2015, the Company issued 5,000,000 common shares in the capital of the Company at a price of $0.01 per share for gross proceeds of $50,000.

On December 22, 2015, the Company issued a total of 103,299,838 units at CDN $0.01 in the capital of the Company pursuant to the anti-dilution clause of the August 30, 2014 debt settlement agreements of $1,180,570. Each unit is comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$0.10 until August 30, 2017. The fair value of the units $7,882,072 was allocated to common shares $4,542,981 and warrants $3,339,091 based on their relative fair values and $7,882,072 was recorded as a loss on settlement of debt.

On December 22, 2015, the Company issued a total of 95,431,100 common shares in the capital of the Company at a price of US$0.01 per share upon the conversion of debt in the aggregate amount of $1,274,291 (US$954,311). The amount allocated to common shares based on fair value was $6,371,457 and $5,097,166 was recorded as a loss on settlement of debt.

(Formerly: Intelligent Content Enterprises Inc.)

Management's Discussion and Analysis
For the Three and Nine Months Ended
May 31, 2018

1 King Street West, Suite 1505, Toronto, ON, Canada Telephone: 416 364 4039, Facsimile: 416 364-8244

OVERVIEW

Novicius Corp., was amalgamated under the Business Corporations Act (*Ontario)* on November 30, 2009 ("Novicius" or the "Company"). The Company filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. Through the Company's wholly owned Ontario subsidiary, DoubleTap Daily Inc., (formerly: Digital Widget Factory Inc.) the Company has developed doubletap.co, an online content management and advertising platform that powers user and advertising engagement programs in real-time to desktop, mobile and portable devices.

The Company's registered office is located at 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1. The Company's common shares are listed for trading and on the Canadian Securities Exchange under the symbol NVS.

Our Canadian public filings can be accessed and viewed via the System for Electronic Data Analysis and Retrieval ("SEDAR") at www.sedar.com. Readers can also access and view our Canadian public insider trading reports via the System for Electronic Disclosure by Insiders at www.sedi.ca. Our U.S. public filings are available at the public reference room of the U.S. Securities and Exchange Commission ("SEC") located at 100 F Street, N.E., Room 1580, Washington, DC 20549 and at the website maintained by the SEC at www.sec.gov.

The Company's Unaudited Interim Condensed Consolidated Financial Statements for the three and nine months ended May 31, 2018 and 2017 and notes thereto, include the accounts of Novicius, the legal parent, together with its wholly-owned subsidiaries, Ice Studio Productions Inc., incorporated in the Province of Ontario on June 16, 2016 ("ICE Studio") and DoubleTap Daily Inc. incorporated in the Province of Ontario on February 29, 2016 ("DoubleTap"). All Intercompany balances and transactions have been eliminated on consolidation.

The following Management's Discussion and Analysis of Novicius should be read in conjunction with the Company's Unaudited Interim Condensed Consolidated Financial Statements for the three and nine months ended May 31, 2018 and notes thereto (the "Consolidated Financial Statements"). This Management's Discussion and Analysis is dated July 12, 2018, and has been approved by the Board of Directors of the Company.

The Company's Consolidated Financial Statements were prepared using the same accounting policies and methods of computation as those described in our annual consolidated financial statements for the year ended August 31, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending August 31, 2018 could result in restatement of the Consolidated Financial Statements. The Consolidated Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended August 31, 2017. All amounts herein are presented in Canadian dollars, unless otherwise noted.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by IFRIC.

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis contains certain forward-looking statements, including management's assessment of future plans and operations, and capital expenditures and the timing thereof, that involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control. Such risks and uncertainties include, without limitation, risks associated with ability to access sufficient capital from internal and external sources, the impact of general economic conditions in Canada, the United States and overseas, industry conditions, changes in laws and regulations (including the adoption of new laws and regulations) and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that the Company will derive there from. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this Management Discussion and Analysis are made as at the date of this Management Discussion and Analysis and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

OVERALL PERFORMANCE

Net loss for the nine months ended May 31, 2018 was $348,383 compared to a net loss of $902,491 for the nine months ended May 31, 2017. During the nine months ended May 31, 2018, the Company recorded $Nil for research, content development and technology support costs compared to $292,727 in the same nine month period in 2017. For the nine months ended May 31, 2018, hosting, advertising and technology services was $2,866 versus $51,279 for the same period in 2017. The reduction in research, content development and technology support costs and hosting and advertising during 2018 was mainly attributed to the correction of prior period errors related to the DWF Settlement Agreement. For the six months ended May 31, 2018, general and administrative costs decreased by $190,468 to $206,985 compared to general and administrative costs of $397,453 for the same nine month period in 2017. For the nine months ended May 31, 2018, the Company recorded $Nil in anti-dilution fees versus $8,182 for the nine months ended May 31, 2017. On November 30, 2016, the Company completed a private placement for gross proceeds of $50,000 and issued 7,692 units in the capital of the Company at a purchase price of $6.50 per unit and accordingly this transaction gave effect to additional units to be issued pursuant to the anti-dilution provision of the August 31, 2016 private placement agreements. For the nine months ended May 31, 2018, the Company recorded $136,341 in stock based compensation versus stock based compensation of $151,096 for the same nine month period in 2017. During 2018, the Company recorded $136,341 as non-cash stock based compensation expense upon the partial vesting of 70,000 common share purchase options exercisable at $15.00 per share.

During the nine months ended May 31, 2018, the Company received non-interest bearing due on demand shareholders loans of $74,696.

The Company anticipates further expenditures to be made on future opportunities evaluated by the Company. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by the Company, or by other means. The Company's long-term profitability will depend upon its ability to successfully implement its business plan. The Company's past primary source of liquidity and capital resources has been proceeds from the issuance of share capital and shareholders' loans.

RISK AND UNCERTAINTIES

There have been no material changes during the nine months ended May 31, 2018, to the risks and uncertainties as identified in the Company's Management Discussion and Analysis and the Annual Report on Form 20F for the year ended August 31, 2017. The following table illustrates the contractual maturities of financial liabilities:

May 31, 2018	**Payments Due by Period $**				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	639,272	639,272	-	-	-
Shareholder loans	74,696	74,696			
Total	713,968	713,968	-	-	

August 31, 2017	Payments Due by Period $				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	529,823	529,823	-	-	-
Total	529,823	529,823	-	-	-

Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to fund its operations, growth and ongoing development opportunities. The Company's capital requirements currently exceed its operational cash flow. As such, the Company is dependent upon future financings in order to maintain liquidity and will be required to issue equity or issue debt.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, availability of capital and the risk characteristics of any underlying assets in order to meet current and upcoming obligations.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favourable market conditions to sustain future development of the business. As at May 31, 2018 and August 31, 2017, the Company considered its capital structure to be comprised of shareholders' deficiency.

RESULTS OF OPERATIONS

Hosting, Advertising and Technology Services

For the three months ended May 31, 2018, the Company incurred hosting and technology costs of $791 compared to $56,733 for the same three month period in 2017.

For the nine months ended May 31, 2018, the Company incurred hosting and technology costs of $2,866 compared to $51,279 for the same nine month period in 2017. The decrease in hosting and technology costs experienced during 2018 was mainly attributed to the correction of prior period errors related to the DWF Settlement Agreement.

Research, Content Development and Technology Support
For the three months ended May 31, 2018, the Company incurred research, content development and technology support costs of $Nil versus $36,218 in the prior comparable period in 2017.

For the nine months ended May 31, 2018, the Company incurred research, content development and technology support costs of $Nil compared to $292,727 for the same period in 2017. The reduction in research, content development and technology support costs during 2018 was mainly attributed to the correction of prior period errors related to the DWF Settlement Agreement.

General and Administrative Expenses	For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
	2018	2017	2018	2017
Professional fees	$51,529	$40,462	$51,559	$128,059
Head office costs	25,500	24,795	76,500	76,035
Management fees	15,000	15,000	45,000	45,000
Transfer and registrar costs	3,641	4,723	10,569	17,152
Shareholders information	(4,451)	29,402	21,547	60,017
Office and general costs	374	2,117	1,610	10,558
Directors fees	-	1,500	200	7,800
Rent	-	-	-	19,912
Travel	-	1,831	-	2,920
Consulting fees	-	-	-	30,000
Total	$91,593	$119,830	$206,985	$397,453

General and administrative expenses for the three months ended May 31, 2018, were $28,237 lower at $91,593 compared to $119,830 for the three months ended May 31, 2017. The decrease in expenses during 2018, was primarily attributed to a decrease in shareholders information costs of $33,853 to $(4,451) compared to $29,402 for the same three month period in 2017, a decrease of $1,743 to $374 in general and office costs versus $2,117 in the comparable three month period in 2017. These decreases were partially offset by an increase of $11,067 to $51,529 in professional fees versus $40,462 during the three month period ended May 31, 2017.

General and administrative expenses for the nine months ended May 31, 2018, were $190,468 lower at $206,985 compared to $397,453 for the nine months ended May 31, 2017. The decrease in expenses during the nine month period in 2018, was primarily attributed to a decrease in professional fees of $76,500 to $51,559 compared to $128,059 for the same nine month period in 2017, a decrease in shareholders information of $38,470 to $21,547 versus $60,017 during the same nine month period in 2017, a decrease in consulting fees of $30,000 to $Nil compared to $30,000 in the same nine month period in 2017, and a decrease of $19,912 to $Nil in rent compared to rent of $19,912 for the nine months ended May 31, 2017.

Loss on Foreign Exchange
For the three months ended May 31, 2018, the Company recorded a loss on foreign exchange of $929 compared to a loss of $66 for the same three month period in 2017.

For the nine months ended May 31, 2018, the Company recorded a loss on foreign exchange of $2,191 compared to a loss of $1,754 for the same nine month period in 2017. These foreign exchange gains and losses are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company.

Stock Based Compensation
On May 31, 2018, all of the 155,000 outstanding common share purchase options were released and cancelled.

Employees
For the three months ended May 31, 2018, the Company recorded stock based compensation of $34,086 compared to $Nil for the same three month period in 2017. During 2018, the Company recorded $34,086 as non-cash stock based compensation expense upon the partial vesting of 70,000 common share purchase options exercisable at $15.00 per share.

For the nine months ended May 31, 2018, the Company recorded stock based compensation of $136,341 compared to $136,291 for the same nine month period in 2017. During the nine months ended in 2018, 70,000 common share purchase options exercisable at $15.00 per share vested and $136,341 was recorded as non-cash stock based compensation expense.

During the nine months ended May 31, 2017, the Company granted the following stock options:

On September 9, 2016, the Company granted 30,000 common share purchase options to shares to a director and 30,000 common share purchase options to the President. These options were exercisable at $13.00 per share and expire on September 8, 2021 and the Company recorded non-cash stock based compensation expense of $44,416.

On September 9, 2016, the Company granted to the President 70,000 common share purchase options exercisable at $15.00 per share and expiring on September 8, 2021. Of these options 35,000 vested on September 8, 2017 and 35,000 vest on September 8, 2018. The Company recorded non-cash stock based compensation expense of $50,897.

On November 1, 2016, the Company granted 50,000 common share purchase options to the former Chief Financial Officer. These options were exercisable at $6.40 per share and expired on April 25, 2017. The Company had recorded non-cash stock based compensation expense of $40,978.

Non Employees

For the three months ended May 31, 2018, the Company recorded stock based compensation for non-employees of $Nil compared to $Nil for the same three month period in 2017.

For the nine months ended May 31, 2018, the Company recorded stock based compensation for non-employees of $Nil compared to $14,805 for the same nine month period in 2017. On September 9, 2016, the Company granted 20,000 common share purchase options to a consultant of the Company. These options were exercisable at $13.00 per share and expire on September 8, 2021. The Company recorded non-cash stock based compensation expense of $14,805.

Anti-Dilution Fees

For the three months ended May 31, 2018, the Company recorded anti-dilution fees of $Nil compared to $(9,818) for the same period in 2017.

For the nine months ended May 31, 2018, the Company recorded anti-dilution fees of $Nil compared to $8,182 for the same period in 2017.

On August 31, 2016, the Company completed private placements for gross proceeds of $260,000 and issued 23,636 units in the capital of the Company at a purchase price of $11.00 per unit. The subscription agreements contained an anti-dilution provision such that if within 18 months of August 31, 2016, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than $11.00 (the “Adjusted Price”) the Holder shall be entitled to receive from the Company (for no additional consideration) additional units in an amount such that, when added to the number of units acquired by Holder under this agreement will equal the number of units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price. On November 30, 2016, the Company completed a private placement for gross proceeds of $50,000 and issued 7,692 units in the capital of the Company at a purchase price of $6.50 per unit and accordingly this transaction gave effect to additional units to be issued pursuant to the Adjusted Price. At May 31, 2017, the Company recorded the additional 16,364 units to be issued in the amount of $8,182 as a derivative liability on the statement of financial position and as anti-dilution fees on the statement of operations.

Net Loss from Operations and Other Comprehensive Loss

Net loss from operations and other comprehensive loss for the three months ended May 31, 2018, was $127,398, compared to a net loss of $203,029 for the three months ended May 31, 2017. The decrease in net loss for the three months ended May 31, 2018, was primarily attributed to a decrease in hosting, advertising and technology services of $55,942 to $791 versus $56,733 for the three month period in 2017, a decrease research, content development and technology support costs of $36,218 to $Nil versus $36,218 in the prior comparable period in 2017. The reduction in hosting and advertising and research, content development and technology support costs during 2018 was mainly attributed to the correction of prior period errors related to the DWF Settlement Agreement. General and administrative expenses for the three months ended May 31, 2018, were also lower by $28,237 to $91,593 compared to $119,830 for the three months ended May 31, 2017. The decrease in general and administrative expenses during 2018, was primarily attributed was primarily attributed to a decrease in shareholders information costs of $33,853 to $(4,451) compared to $29,402 for the same three month period in 2017. For the three months ended May 31, 2018, the Company recorded $34,086 in stock based compensation versus $Nil for the comparable three month period in 2017.

Net loss from operations and other comprehensive loss for the nine months ended May 31, 2018, was $348,383 compared to a net loss from operations of $902,491 for the nine months ended May 31, 2017. The decrease in net loss for the nine months ended May 31, 2018, was primarily attributed to a decrease in research, content development and technology support costs of $292,727 to $Nil compared to $292,727 in the prior comparable period in 2017 and a decrease in hosting advertising and technology services of $48,413 to $2,866 versus $51,279 incurred in the same nine month period ended May 31, 2017. General and administrative expenses for the nine months ended May 31, 2018, were $190,468 lower at $206,985 compared to $397,453 for the nine months ended May 31, 2017. The decrease in expenses during the nine month period in 2018, was primarily attributed to a decrease in professional fees of $76,500 to $51,559 compared to $128,059 for the same nine month period in 2017, a decrease in shareholders information of $38,470 to $21,547 versus $60,017 during the same nine month period in 2017, a decrease in consulting fees of $30,000 to $Nil compared to $30,000 in the same nine month period in 2017, and a decrease of $19,912 to $Nil in rent compared to rent of $19,912 for the nine months ended May 31, 2017.

Loss per Share, Basic and Diluted
Loss per share, basic and diluted for the three months ended May 31, 2018 was $0.024 compared to a loss per share, basic and diluted of $0.075 for the same three month period in 2017.

Loss per share, basic and diluted for the nine months ended May 31, 2018 was $0.066 compared to a loss per share, basic and diluted of $0.338 for the same nine month period in 2017.

SUMMARY OF QUARTERLY RESULTS

The following tables reflect the summary of quarterly results for the periods set out.

For the quarter ending	2018 May 31	2018 February 28	2017 November 30	2017 August 31
Net loss for the period	$(127,398)	$(93,406)	$(127,578)	$(1,199,755)
Loss per share, basic and diluted	$(0.024)	$(0.018)	$(0.024)	$(0.447)

During ended May 31, 2018, the Company incurred stock based compensation expense of $34,086. For the three months ended February 28, 2018 and November 30, 2017, the Company recorded stock based compensation expense of $51,128, respectively. During the quarter ended August 31, 2017, the Company recorded stock based compensation expense of $1,698,901, a gain on de-recognition of financial liabilities of $893,990 and anti-dilution fees of $178,650.

For the quarter ending	2017 May 31	2017 February 28	2016 November 30	2016 August 31
Net loss for the period	$(198,521)	$(81,215)	$(618,247)	$(153,579)
Loss per share, basic and diluted	$(0.075)	$(0.031)	$(0.233)	$(0.060)

During ended May 31, 2017, the Company incurred general and administrative expenditures of $119,830. During the quarter ended February 28, 2017, the Company recorded research, content development and technology support costs of $63,641. During the quarter ended November 30, 2016, the Company recorded anti-dilution fees of $104,727. During the quarter ended August 31, 2016, the Company reversed a previously recorded gain on de-recognition financial liabilities for prior obligations of Dyami Energy in the amount of $893,990.

CAPITAL EXPENDITURES

For the nine months ended May 31, 2018, the Company did not incur any capital expenditures. On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC ("Catch Star Studios"). On October 12, 2016, the Company advanced US$65,000 ($81,483 at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the "Secured Note"). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. On February 1, 2017, the Company issued a letter of demand for the repayment in full of the Secured Note from Catch Star. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount.

The Company expects that capital expenditures will increase in future reporting periods as the Company seeks further opportunities and ventures of merit.

FINANCING ACTIVITIES

For the nine months ended May 31, 2018, the Company received shareholder loans totaling $74,696.

LIQUIDITY AND CAPITAL RESOURCES

Cash as of May 31, 2018, was $5,440 (August 31, 2017: $1,040). During the nine months ended May 31, 2018, the Company received shareholder loans totaling $74,696.

For the three months ended May 31, 2018, the primary use of funds was related to general and administrative expenditures. The Company's working capital deficiency at May 31, 2018 was $699,818 (August 31, 2017: $487,776).

Our current assets of $14,150 as at May 31, 2018, ($42,047 as of August 31, 2017) include the following items: cash $5,440 ($1,040 as of August 31, 2017), and other receivables $8,710 ($41,007 as of August 31, 2017).

Our current liabilities of $713,968 as of May 31, 2018 ($529,823 as of August 31, 2017) include the following items: trade and other payables $639,272 ($529,823 as of August 31, 2017); and shareholder loans of $74,696 ($Nil as of August 31, 2017).

At May 31, 2018, the Company had outstanding 208,211 common share purchase warrants. If any of these warrants are exercised, it would generate additional capital for us.

Management of the Company recognizes that cash flow from operations is not sufficient to meet its working capital requirements or fund additional opportunities or ventures of merit. The Company has liquidity risk which necessitates the Company to obtain debt financing or raise additional equity. There is no assurance the Company will be able to obtain the necessary financing in a timely manner.

The Company's past primary source of liquidity and capital resources has been proceeds from the issuance of share capital, loans and shareholders' loans. If the Company issued additional common shares from treasury it would cause the current shareholders of the Company dilution.

Outlook and Capital Requirements

The Company anticipates further expenditures to expand its current business plan. Amounts expended on future opportunities and ventures of merit is dependent on the nature of the opportunities evaluated by the Company. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by the Company, or by other means. The Company's long-term profitability will depend upon its ability to successfully implement its business plan.

DERIVATIVE LIABILITIES

As at May 31, 2018, the Company had no derivative liabilities (August 31, 2017: $Nil).

On August 31, 2016, the Company completed private placements for gross proceeds of $260,000 and issued 23,636 units in the capital of the Company at a purchase price of $11.00 per unit. The subscription agreements contained an anti-dilution provision such that if within 18 months of August 31, 2016, the Company issues additional common shares for a consideration per share or with an exercise or conversion price per share, less than $11.00 (the "Adjusted Price") the Holder shall be entitled to receive from the Company (for no additional consideration) additional units in an amount such that, when added to the number of units acquired by Holder under this agreement will equal the number of units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price. On November 30, 2016, the Company completed a private placement for gross proceeds of $50,000 and issued 7,692 units in the capital of the Company at a purchase price of $6.50 per unit and accordingly this transaction gave effect to additional units to be issued pursuant to the Adjusted Price. At May 31, 2017, the Company recorded the additional 16,364 units to be issued in the amount of $8,182 as a derivative liability on the statement of financial position and as anti-dilution fees on the statement of operations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SEGMENTED INFORMATION

The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officers monitor the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. The Company's reportable and geographical segment is located in Canada.

RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the amount agreed to by the related parties.

Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the periods set out were as follows:

	Three Months Ended May 31		**Nine Months Ended May 31**	
	2018	2017	**2018**	2017
Short term employee benefits (1) (2)	$15,000	$37,500	$45,000	$110,481
Director/Officer stock based compensation (3)	34,085	-	136,341	136,291
	$49,085	$37,500	**$181,341**	$246,772

The following balances owing to the President and Chief Financial Officer of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	May 31, 2018	August 31, 2017
Short term employee benefits (1) (2)	$61,500	$101,500
	$61,500	$101,500

(1) The Company incurs management fees to the Chief Financial Officer of the Company at a rate of $5,000 per month.
(2) On September 9, 2016, the Company entered into an employment agreement with the President of the Company under which the Company agreed to pay to the President, a base salary of $90,000 and grant one hundred thousand (100,000) common share purchase options (Note 9 e). Effective May 21, 2017, the Company and the President agreed to amend the terms of the employment agreement, by reducing the President's base salary to $10.00 annually, allowing the President to contract his services to Torinit contemporaneous with his continued employment with the Company and providing a top up provision of up to $1,500 in a month from the Company if the gross compensation earned by the President from Torinit during June, July and August of 2017 (the "Period"), reduces the overall compensation earned by the President below $7,500 in any such month during the Period.
(3) On September 9, 2016 and November 1, 2016, the Company granted options to purchase 130,000 and 50,000 common shares to officers and directors.

On September 1, 2016, the Company entered into an agreement for a period of 12 months with Torinit Technologies Inc., ("Torinit") to provide dedicated resource augmentation to DoubleTap in an effort to optimize user experience while navigating through the doubleTap.co website and drive traffic growth by engaging users across all demographics (the "Torinit Services"). As consideration for the Torinit Services, the Company agreed to compensate Torinit the sum of $8,000 per month based on 320 hours per month for a 12 month period. Dikshant Batra, a director of the Company, is also the President, a director and major shareholder of Torinit. As at May 31, 2018 and August 31, 2017, included in trade and other payables of the Company is $23,961 due to Torinit.

As at May 31, 2018, the amount of directors' fees included in trade and other payables was $10,400 (August 31, 2017: $10,200).

As at May 31, 2018, the Company had non-interest bearing loans due on demand payable to Core Energy Enterprises Inc. ("Core") a shareholder of the Company, in the aggregate amount of $40,800 (August 31, 2017: $Nil). The Chief Financial Officer of the Company is a major shareholder, officer and a director of Core.

At May 31, 2018, the Company had a non-interest bearing, due on demand loan payable to a shareholder in the amount of $25,896 (US $20,000).

SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements were prepared using the same accounting policies and methods as those described in our consolidated financial statements for the year ended August 31, 2017.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's management made assumptions, estimates and judgments in the preparation of the Consolidated Financial Statements. Actual results may differ from those estimates, and those differences may be material. There have been no material changes in the three months ended May 31, 2018 to the critical accounting estimates and judgments.

RECENT ISSUED ACCOUNTING PRONOUNCEMENTS

The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

(i) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective September 1, 2018, and is currently assessing the impact of this new standard on the Consolidated Financial Statements.

(ii) In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments – Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the Consolidated Financial Statements.

(iii) On January 13, 2016, the IASB issued IFRS 16 Leases ("IFRS 16") which will replace IAS 17, Leases. IFRS 16 will bring leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is assessing the impact of this new standard on the Consolidated Financial Statements.

(iv) Amendments to IFRS 2 - Classification and measurement of Share-based payment transactions ("IFRS 2"): On June 20, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively, retrospectively, or early application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its Consolidated Financial Statements for the annual period beginning on September 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRIC 22 – Foreign currency transactions and advance consideration: IFRIC was issued in December 2016 to provide guidance on accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The new interpretation is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the interpretation on its consolidated financial statements.

SHARE CAPITAL AND RESERVES

The Company filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its common shares on the basis of one (1) new share for every ten (10) old shares. The consolidated financial statements have been adjusted to reflect the consolidation accordingly.

A) Share Capital

Authorized:
Unlimited number of common shares at no par value
Unlimited number of preferred shares issuable in series

Common Shares Issued:
The following table sets out the changes in common shares during the respective periods:

	Number	Amount $
Balance August 31, 2016	2,650,627	23,220,683
Common shares issued as private placement (Note B a)	7,692	30,233
Common shares issued as settlement of shareholder advances (Note B b)	1,187,672	213,781
Common shares issued as anti-dilution provision (Note B c)	1,420,809	184,705
Common shares issued as anti-dilution provision (Note B d)	16,364	2,127
Balance August 31, 2017 and May 31, 2018	**5,283,164**	**23,651,529**

Preferred Shares Issued:
As at May 31, 2018 and August 31, 2017, there were no preferred shares issued.

B) Share Purchase Warrants

The following table sets out the changes in warrants during the respective periods:

Warrants	Number of Warrants	Weighted Average Price
Outstanding, August 31, 2016	722,572	$8.60
Warrants issued (Note a)	7,692	-
Warrants issued (Note d)	16,364	-
Warrants expired (Note e)	(538,417)	-
Balance, August 31, 2017 and May 31, 2018	**208,211**	**$5.27**

(a) On November 30, 2016, the Company completed private placements for gross proceeds of $50,000 and issued 7,692 units in the capital of the Company at a purchase price of $6.50 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until November 30, 2019. The fair value of the units ($50,000) was allocated to common shares $30,233 and the amount allocated to warrants component using a Binomial Lattice model was $19,767.

(b) Effective August 31, 2017, the Company settled shareholder advances of $213,781 and issued 1,187,672 common shares in the capital of the Company at a price of $0.18 per share.

(c) Pursuant to the August 31, 2017, settlement of shareholder advances of $213,781 (Note 9 b (b), effective August 31, 2017, the Company issued 1,420,809 common shares in the capital of the Company pursuant to the anti-dilution provision of the August 31, 2016, private placement agreements. The fair value of $184,705 was calculated on the previous day's closing price of the Company's common shares and allocated to common shares and anti-dilution fees in the consolidated statement of operations.

(d) Pursuant to the November 30, 2016, private placement of $50,000 (Note 11 b (h), effective August 31, 2017, the Company issued 16,364 Units in the capital of the Company pursuant to the anti-dilution provision of the August 31, 2016, private placement agreements. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of $10.00 until November 30, 2019. The fair value of the units of $2,127 was allocated to common shares and anti-dilution fees in the consolidated statement of operations. No value was allocated to warrants based on the Binomial Lattice model.

(e) On August 31, 2017, 538,417 common share purchase warrants exercisable at $10.00 expired. The amount allocated to warrants based on the Binomial Lattice model was $2,195,738 with a corresponding increase to contributed surplus.

The following table summarizes the outstanding warrants as at May 31, 2018 and August 31, 2017, respectively:

Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
160,519	$3.50	March 1, 2019	0.75	603,370
23,636	$12.50	August 31, 2019	1.25	126,729
24,056	$10.00	November 30, 2019	1.50	19,767
208,211			**0.89**	**749,866**

Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value ($)
160,519	$3.50	March 1, 2019	1.50	603,370
23,636	$12.50	August 31, 2019	2.00	126,729
24,056	$10.00	November 30, 2019	2.25	19,767
208,211			**1.64**	**749,866**

C) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	Three Months Ended May 31		Nine Months Ended May 31	
	2018	**2017**	**2018**	**2017**
Weighted Average Shares Outstanding, basic and diluted	**5,283,164**	2,587,984	**5,283,164**	2,655,784

As at February 28, 2018, there were 208,211 common share purchase warrants that could be exercised, however they are anti-dilutive. The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

D) Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding common shares of the Company on a rolling basis.

The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options	Weighted Average Exercise Price $
Balance, August 31, 2016	38,300	22.80
Granted	200,000	12.05
Expired	(83,300)	(13.63)
Balance, August 31, 2017	155,000	13.87
Cancelled (Note a)	(155,000)	(13.87)
Balance, May 31, 2018	**-**	**-**

a) On May 1, 2018, all outstanding share purchase options were released and cancelled.

The following table is a summary of the Company's stock options outstanding and exercisable as at August 31, 2017:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price $
$12.00	5,000	2.20	November 11, 2019	5,000	0.39
$15.00	70,000	4.02	September 8, 2021	-	-
$13.00	80,000	4.02	September 8, 2021	80,000	6.71
	155,000	3.95		85,000	13.87

e) Stock Based Compensation

Employees

On September 9, 2016, the Company granted 30,000 common share purchase options to shares to a director and 30,000 common share purchase options the President and recorded non-cash stock based compensation expense of $44,416. These options were exercisable at $13.00 per share and expired on September 8, 2021. On May 1, 2018, these share purchase options were released and cancelled.

On September 9, 2016, the Company granted to the President 70,000 common share purchase options exercisable at $15.00 per share and expiring on September 8, 2021. Of these options 35,000 vested on September 8, 2017 and 35,000 vest on September 8, 2018. As at May 31, 2018, Company recorded non-cash stock based compensation expense of $136,341 (May 31, 2017: $50,897). On May 1, 2018, these share purchase options were released and cancelled.

On November 1, 2016, the Company granted 50,000 common share purchase options vesting March 30, 2017 to the former Chief Financial Officer and recorded non-cash stock based compensation expense of $40,978. These options were exercisable at $6.40 per share and expired on April 25, 2017.

Non Employees

On September 9, 2016, the Company granted 20,000 immediately vesting common share purchase options to a consultant of the Company and recorded non-cash stock based compensation expense of $14,805. These options were exercisable at $13.00 per share and expire on September 8, 2021. On May 1, 2018, these options were released and cancelled.

The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following assumptions and inputs:

	November 1, 2016	September 9, 2016
Weighted average fair value per option	$5.90	$11.70
Weighted average risk free interest rate	0.68%	0.59%
Forfeiture rate	0%	0%
Weighted average expected volatility	156.70%	152.32%
Expected life (years)	5	5
Dividend yield	Nil	Nil
Stock price on the date of grant	$6.40	$12.90

SUBSEQUENT EVENTS

Subsequent to the period end the Company executed an amended and restated non-binding letter of intent with Grown Rogue Unlimited, LLC, an Oregon limited liability company ("Grown Rogue") pursuant to which it is contemplated that the Company may combine its business operations with Grown Rogue by way of a three-cornered amalgamation (the "RTO Transaction") resulting in a reverse take-over of the Company by Grown Rogue and the listing for trading of the shares of the resulting issuer on the Canadian Securities Exchange (the "Exchange"). The non-binding letter of intent has been amended and restated (the "Amended LOI") to extend the term of the Amended LOI, to reflect the amended terms of the Private Placement (as defined below) to be completed by an affiliate of Grown Rogue prior to the closing of the RTO Transaction, and to reflect continuing discussions between Grown Rogue and the Company with respect to the terms of the RTO Transaction.

Pursuant to the Amended LOI It is expected that prior to the completion of the RTO Transaction, all of the unitholders of Grown Rogue will exchange their units of Grown Rogue for common shares in Grown Rogue Canada Inc. ("Grown Rogue Canada"), a company incorporated under the laws of Ontario, which will result in Grown Rogue Canada owning all of the units in Grown Rogue (the "Grown Rogue Securities Exchange"). Upon completion of the Grown Rogue Securities Exchange, Grown Rogue Canada will amalgamate with a subsidiary of Novicius and the shareholders of Grown Rogue Canada that participated in the Grown Rogue Securities Exchange will receive common shares of Novicius at a deemed price of $0.44 per share.

In addition, the Company and Grown Rogue Canada announced that Grown Rogue Canada completed an initial tranche of its planned financing for a total issuance of 5,673,417 subscription receipts (the "Subscription Receipts") at a price of $0.44 each for total proceeds of $2,496,303 (the "Private Placement"). Each Subscription Receipt is convertible, without additional consideration, into a unit (a "GRC Unit") consisting of one common share in GRC ("GRC Share") and one common share purchase warrant in GRC ("GRC Warrant"). Each GRC Warrant entitles the holder to purchase one GRC Share at a price of $0.55 per share until 24 months after the RTO Transaction has been completed.

GRC plans to complete a second tranche and raise up to an additional $3,500,000 in Subscription Receipts prior to the completion of the RTO Transaction. The GRC Units and the Compensation Options will be exchanged for corresponding securities, respectively, in Novicius (as the resulting issuer) upon completion of the RTO Transaction.

All of the gross proceeds received by Grown Rogue Canada under the Private Placement are being held in escrow and are to be released to Grown Rogue Canada upon satisfying certain conditions including, among other things, (i) CSE approval of the RTO Transaction and (ii) the acquisition by Grown Rogue Canada of, directly or indirectly, 100% of the membership units of Grown Rogue Unlimited, LLC (the "Escrow Release Condition"). If the Escrow Release Condition is not satisfied or waived by September 3, 2018, the Subscription Receipts will automatically be cancelled and the proceeds of the Private Placement will be returned to the holders of the Subscription Receipts in an amount per Subscription Receipt equal to: (i) the purchase price of the Subscription Receipt; and (ii) a pro rata share of interest, if any, earned thereon.

M Partners Inc. and PI Financial Corp. acted as co-lead agents for GRC (the "Agents") in connection with the Private Placement and will receive, upon closing of the RTO Transaction, a cash commission equal to 7% of the aggregate proceeds of the portion of the Private Placement sold to subscribers sourced by the Agents, and a cash commission equal to 3.5% of the aggregate proceeds from all other subscribers participating in the private placement. The Agents have received an aggregate number of compensation options (the "Compensation Options") equal to 7% of the number of Subscription Receipts issued to subscribers sourced by the Agents, and an aggregate number of Compensation Options equal to 3.5% of the number of Subscription Receipts issued to all other subscribers participating in the private placement.

Each Compensation Option entitles the holder to purchase one GRC Unit at a price of $0.44 per unit until 24 months after completing the RTO Transaction.

There can be no assurance that the RTO Transaction will occur, or that it will occur on the terms and conditions contemplated in this news release. The RTO Transaction could be modified, restructured or terminated. Actual results could differ materially from those currently anticipated due to a number of factors and risks. The completion of the RTO Transaction is contingent on a number of conditions precedent including, but not limited to, (i) receipt of all requisite corporate, shareholder and regulatory approvals, (ii) completion of satisfactory due diligence by each of the parties, (iii) completion of the Grown Rogue Securities Exchange, (iv) completion of the Brokered Offering, (v) completion of the Company's anticipated consolidation of 1.4 pre-consolidated common shares for one 1 post-consolidated common share, (vi) the reduction of Novicius debt, and (vii) the execution of a definitive agreement between the parties. No assurance is given that the Transaction will close as contemplated.

Appendix "C"

Consolidated Financial Statements

Grown Rogue Unlimited, LLC

For the period from October 31, 2016 (date of incorporation) to October 31, 2017

(Expressed in United States Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements were prepared and approved by management of Grown Rogue Unlimited, LLC. The Managing Member of the LLC reviewed and approved the consolidated financial statements.

Management is responsible for the preparation of the consolidated financial statements and believes that the consolidated financial statements represent fairly the Company's financial position and the results of operations in accordance with International Financial Reporting Standards. Management has included amounts in the Company's consolidated financial statements based on estimates, judgements, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

_Signed "Jesse (Obie) Strickler"
President and CEO

_Signed "Michael Johnston"__
CFO

Toronto, Ontario
November 13, 2018

Independent Auditor's Report

To the Members
Grown Rogue Unlimited, LLC

We have audited the accompanying financial statements of Grown Rogue Unlimited, LLC (the "Company"), which comprise the consolidated statement of financial position as at October 31, 2017, and the consolidated statement of operations, changes in member's deficit and cash flow for the period from October 31, 2016 (date of incorporation) to October 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 audit 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 Grown Rogue Unlimited, LLC as at October 31, 2017, and its consolidated financial performance and its consolidated cash flow for the period ended in accordance with International Financial Reporting Standards.

Emphasis of a Matter

The accompanying consolidated financial information has been prepared assuming that the Company will continue as a going concern. However, as discussed in Note 4 concerning the Company's liquidity and capital resources, the Company has incurred significant losses and has deficiencies in both working capital and total capital. The accompanying consolidated financial information do not include any adjustments that might result from the outcome of this uncertainty.

Macias Gini & O'Connell LLP

Newport Beach, California
November 13, 2018

Grown Rogue Unlimited, LLC

Consolidated Statement of Financial Position as at October 31, 2017
Expressed in United States Dollars

Assets

Current Assets		
Cash	$	453,199
Accounts receivable		31,750
Biological assets (note 6)		10,436
Inventory (note 7)		1,342,597
Prepaid expenses and other assets		47,940
		1,885,922
Property and equipment (note 8)		989,196
Intangible Assets (note 9)		39,373
	$	2,914,491

Liabilities

Current Liabilities		
Accounts payable and accrued liabilities	$	706,667
Finance lease payable (note 10)		39,666
Convertible promissory notes (note 12)		640,065
Notes payable (note 11)		502,173
Due to employee/director (note 14)		104,000
Interest payable (note 11, 12)		154,978
		2,147,549
Finance lease payable (note 10)		82,810
Convertible promissory notes (note 12)		754,517
Derivative liabilities (note 12)		157,000
Long-term debt (note 11)		50,000
Deferred rent		24,912
		3,216,788

Member's Deficit

Member's Capital (note 13)		100
Accumulated Deficit		(302,397)
		(302,297)
	$	2,914,491

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Managing Member of the LLC

Signed "Jesse (Obie) Strickler", Managing Member of the LLC

Grown Rogue Unlimited, LLC

Consolidated Statement of Operations
For the period from October 31, 2016 (date of incorporation) to October 31, 2017
Expressed in United States Dollars

Revenue	$ 156,066
Unrealized gain on changes in fair value of biological assets (note 6)	(985,515)
Cost of goods sold (note 7)	151,663
Cost of goods sold (recovery to cost of sales), net of the unrealized gain on changes in fair value of biological assets	(833,852)
Gross profit	989,918
Expenses	
General and administration (note 17)	1,049,655
Amortization of property and equipment (note 8)	45,926
Accretion expense (note 12)	33,191
	1,128,772
Loss from operations	(138,854)
Interest expense	(163,543)
Net loss	$ (302,397)

The accompanying notes form an integral part of these consolidated financial statements.

Grown Rogue Unlimited, LLC

Consolidated Statement of Changes in Member's Deficit
Expressed in United States Dollars

	Number of Common Units	Member's Capital	Accumulated Deficit	Total Member's Deficit
Balance - October 31, 2016 (date of inception)	-	$ -	$ -	$ -
Common units issued for cash (note 13)	7,000	100	-	100
Net loss	-	-	(302,397)	(302,397)
Balance - October 31, 2017	7,000	$ 100	$ (302,397)	$ (302,297)

The accompanying notes form an integral part of these consolidated financial statements.

Grown Rogue Unlimited, LLC

Consolidated Cash Flow Statement
For the period from October 31, 2016 (date of incorporation) to October 31, 2017
Expressed in United States Dollars

Cash provided by (used in)	
Operating Activities	
Net loss	$ (302,397)
Adjustments for non-cash items in net loss	
Amortization of property and equipment	45,926
Unrealized gain on changes in fair value of biological assets	(985,515)
Amortization of debt issuance costs	1,151
Accretion expense	33,191
	(1,207,644)
Changes in non-cash balances related to operations	
Accounts receivable	(31,750)
Inventory	(367,518)
Prepaid expenses and other assets	(43,228)
Accounts payable and accrued liabilities	669,742
Due to employee/director	104,000
Interest payable	154,978
Deferred rent	24,912
Net cash used in operating activities	(696,508)
Investing Activities	
Purchase of intangible asset	(39,373)
Purchase of property and equipment	(724,807)
Net cash used in investing activities	(764,180)
Financing Activities	
Proceeds from long-term debt	1,931,755
Repayment of long-term debt	(17,868)
Net cash provided by financing activities	1,913,887
Change in cash	453,199
Cash - beginning of period	-
Cash - end of period	$ 453,199

Supplemental cash flow disclosure

Interest paid	$ 7,414
Purchase of property and equipment on account on account	$ 37,025
Property and equipment acquired through finance leases (note 8)	$ 134,289
Property and equipment acquired through convertible note payable	$ 139,001
Prepayment of finance lease	$ 4,712

The accompanying notes form an integral part of these consolidated financial statements.

1. Nature of Operations

Grown Rogue Unlimited, LLC (the "Company"), was incorporated on October 31, 2016, under Oregon Revised Statutes 63 of the State of Oregon. The Company's registered office is located at 805 SW Broadway, Suite 2400, Portland, Oregon, 97205.

The consolidated financial statements as at October 31, 2017, and for the period from October 31, 2016 (date of incorporation) to October 31, 2017, include Grown Rogue Unlimited, LLC and its subsidiaries (collectively referred to as the "Company"). The Company's subsidiaries include Grown Rogue Gardens, LLC; Grown Rogue Distribution, LLC; GRU Properties, LLC; GRIP, LLC; and Grown Rogue Meds, LLC.

Grown Rogue Gardens, LLC is engaged in cannabis cultivation activities. Grown Rogue Distribution, LLC is engaged in wholesale activities; GRU Properties, LLC is engaged in real estate activities; and GRIP, LLC is engaged in intellectual property activities.

2. Basis of Presentation

a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were approved and authorized for issuance by the managing member of the LLC on November 13, 2018.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and biological assets, which are measured at fair value as described herein.

c) Functional and Presentation Currency

The Company and its affiliates' functional currency is the United States ("U.S.") dollar. These consolidated financial statements are presented in U.S. dollars.

d) Basis of Consolidation

The Subsidiaries are controlled by the Company, as the Company is exposed, or has rights, to variable returns from its involvement with the Subsidiaries and has the ability to affect those returns through its power over the Subsidiaries by way of its ownership of all of the issued and outstanding common shares. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date control ceases. All significant inter-company balances and transactions have been eliminated upon consolidation

3. Significant Accounting Policies

a) Revenue

The Company records revenue when it has transferred the risks and rewards of ownership of the goods to the purchaser, when it has no continuing managerial involvement over the goods, when it is probable the Company will receive the consideration, and when it can reliably measure the amount of revenue and costs associated with the transaction.

b) Inventory

Inventory is valued at the lower of cost and net realizable value. Harvested cannabis included in inventory is recognized at the fair value of the biological asset at the point of harvest. Manufactured inventory and work-in-progress includes an allocation of production overhead, which is based on normal operating capacity. The Company reviews inventories for obsolete, redundant and slow moving goods and any such inventories identified are written down to net realizable value.

c) Cost of goods sold

Cost of goods sold includes the cost of finished goods inventory sold during the period, revaluations of biological assets at the point of harvest, and inventory write-downs during the period.

d) Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up-to the point of harvest. Subsequent to harvest, the recognized biological asset amount becomes the cost basis of finished goods inventory. Seeds are measured at fair value. Unrealized gains or losses arising from changes in fair value less costs to sell during the period are included in the consolidated results of operations of the appropriate period.

e) Accounts Payable and Accrued Liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle this obligation are both probable and able to be reliably measured.

f) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Significant Accounting Policies (continued)

g) Property and Equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses, if any. Costs include borrowing costs for assets that require a substantial period of time to become ready for use.

Amortization is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. Amortization begins when an asset is available for use, meaning that it is in the location and condition necessary for it to be used in the manner intended by management. The estimated useful lives, residual values and method of amortization are reviewed at each period end, with the effect of any changes in estimated useful lives and residual values accounted for on a prospective basis.

As at October 31, 2017, the Company was in the process of completing construction of its warehouse facility in order to expand its cultivation and wholesale activities. The Company has capitalized the costs incurred to date on the construction-in-process asset, but as the assets were not available for use as intended by management as at October 31, 2017, amortization expense was not recorded

Amortization is calculated applying the following useful lives:

Furniture and fixtures	7 - 10	years on a straight line basis
Computer and office equipment	3 - 5	years on a straight line basis
Production equipment and other	5 - 10	years on a straight line basis
Leasehold improvements	15 - 40	years on a straight line basis

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs of disposal and their value in use. Fair value is the price at which the asset could be bought or sold in an orderly transaction between market participants. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

h) Leased Assets

Leases are classified as finance leases whenever substantially all the risks and rewards of ownership of the leased asset are transferred to the Company. Leased assets are measured initially at an amount equal to the lower of fair value and present value of minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases, where the risks and rewards of ownership are not transferred are classified as operating leases and are not recognized on the Company's consolidated statement of financial position.

3. Significant Accounting Policies (continued)

i) Intangible Assets

Intangible assets are initially measured at cost. The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. If impairment indicators are present, these assets are subject to an impairment review. Amortization is calculated using the straight-line method over the estimated useful lives of the intangible assets.

j) Impairment of Long-lived Assets

For all long-lived assets, except for intangible assets with indefinite useful lives and intangible assets not yet available for use, the Company reviews its carrying amount at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Where such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, 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. Impairment losses are recognized in the consolidated statement of operations.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in profit or loss.

k) Financial Instruments

Financial assets and liabilities within the scope of IAS 39 (Financial Instruments: Recognition and Measurement) are classified as financial assets or liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets and liabilities at initial recognition.

All of the Company's financial instruments are initially measured at fair value, with subsequent measurements dependent upon the classification of each financial instrument.

Cash is comprised of deposits held in financial institutions.

Financial assets are classified as fair value through profit or loss ("FVTPL") if the assets are considered to be held for trading or designated as such upon initial recognition.

3. Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Loans and receivables represent financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any losses from impairment. Loans and receivables is comprised of accounts receivable and other receivable.

Other financial liabilities are recognized initially on the date the Company becomes party to the contractual provisions of the financial instrument. Financial liabilities are recognized initially at fair value, including any directly attributable transaction costs. Subsequent to initial recognition, the Company measures financial liabilities at amortized cost using the effective interest rate method. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled. Other financial liabilities include the Company's accounts payable and accrued liabilities, convertible promissory notes, and long-term debt.

The effective interest method is used to calculate the amortized cost of a financial asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that is used to discount estimated future cash receipts or payments over the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Compound financial instruments issued by the Company comprise convertible promissory notes that are convertible to member unit capital at either the option of the holder or upon consummation of a qualifying go-public transaction. The number of units to be issued will depend on the conversion price, which will be agreed to by the Company and the purchaser of the note. The liability component of a compound financial instrument would be recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component would be recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument would not be re-measured subsequent to initial recognition.

Certain convertible promissory notes may contain an embedded derivative liability. When such a derivative liability exists, the Company first measures the fair value of the derivative liability and assigns the residual value to the debt host liability component. The debt host liability component is subsequently recorded at amortized cost. The derivative liability is subsquently re-measured at fair value at each reporting date.

3. Significant Accounting Policies (continued)

k) Financial Instruments (continued)

The Company's financial assets and financial liabilities are classified and subsequently measured as follows:

Asset/Liability	Classification	Subsequent Measurement
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Notes payable	Other financial liabilities	Amortized cost
Convertible promissory notes	Other financial liabilities	Amortized cost
Finance lease obligation	Other financial liabilities	Amortized cost
Derivative liabilities	FVTPL	FVTPL

l) Impairment of Financial Assets

An impairment loss in respect of a financial asset measured at amortized cost, such as accounts receivable and other receivable, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the corresponding asset.

m) Member's Capital

Member's capital consists of common units, which are classified as equity on the statements of financial position. Incremental costs attributable directly to the issuance of member's capital are recognized as deduction from equity, net of any tax effects.

n) Income Taxes

No provision for federal or state income taxes in included in the Company's consolidated financial statements because the tax effects of the Company's income or loss are passed on to the Members.

o) Future Accounting Pronouncements

IFRS 9 Financial Instruments ("IFRS 9") was issued in final form in July 2014 by the IASB, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is currently evaluating the impact adopting IFRS 9 will have on its consolidated financial statements.

3. Significant Accounting Policies (continued)

o) Future Accounting Pronouncements (continued)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB in May 2014 and will replace IAS 18 Revenue, IAS 11 Construction contracts, and IFRIC 13 *Customer loyalty programmes*. IFRS 15 uses a control-based approach to recognize revenue, which represents a change from the risk and reward approach used under the current standard, and it applies to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. Companies can elect to use either a full or modified retrospective approach when adopting the standard, which is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact adopting IFRS 15 will have of its consolidated financial statements.

IFRS 16 Leases ("Leases") was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset’s use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is currently evaluating the impact adopting IFRS 16 will have of its consolidated financial statements.

4. Liquidity and Capital Resources

The Company has incurred significant losses and has deficiencies in both working capital and total capital. The Company’s management continues to finance its cash needs through promissory and convertible promissory notes, and the issuance of membership units. If management is unsuccessful in its efforts to generate profitable operations and/or continue to receive financial support, the Company may not be able to continue as a going concern. The ability of the Company to continue as a going concern and to meet its obligations will be dependent upon successful sales of product and a return to successful operations and cash flows as well as the potential issuance of members' capital. The accompanying condensed consolidated interim financial statements do not reflect any adjustment that might result from the outcome of this uncertainty.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

5. Significant Accounting Judgments, Estimates and Assumptions (continued)

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments include those related to the ability of the Company to continue as a going concern, the determination of when property and equipment are available for use, and impairment of its financial and non-financial assets. The most significant estimates and assumptions include those related to the valuation of biological assets, useful lives of property and equipment, and inputs used in accounting the determination of the discount rate used to estimate the fair value of the liability component of convertible promissory notes.

6. Biological Assets

Biological assets consists of cannabis seeds and cannabis plants. The reconciliation of changes in the carrying amount of biological assets as at October 31, 2017 follows:

Balance - beginning of period	$ -
Add: Purchase of cannabis seeds	3,200
Add: Purchased mothers & clones	753
Add: Purchased cannabis plants	363,565
Change in fair value less costs to sell due to biological transformation	985,515
Transferred to inventory upon harvest	(1,342,597)
Balance - end of period	$ 10,436

When determining the fair value of biological assets, the Company makes estimates and uses assumptions as follows:

- Expected costs required to grow the cannabis up to the point of harvest
- Expected costs associated with harvesting and selling
- Expected yield from the cannabis plants and selling price.

The estimates and assumptions used are subject to volatility in uncontrollable market conditions, may significantly impact the fair value of biological assets. Biological assets represent a level 3 assets in the fair value hierarchy.

7. Inventory

As at October 31, 2017, the Company's inventory consists of 690 kg of harvested cannabis.

Harvested cannabis	$ 1,342,597

The cost of inventories included as an expense and included in cost of goods sold, excluding amortization expense was $151,663.

8. Property and Equipment

	Furniture and Fixtures	Computer and Office Equipment	Production Equipment and Other	Construction in Progress - Warehouse	Leasehold Improvements	Total
Cost						
Balance - October 30, 2016	$ -	$ -	$ -	$ -	$ -	$ -
Additions	750	2,230	169,403	536,008	326,731	1,035,122
Balance - October 31, 2017	$ 750	$ 2,230	$ 169,403	$ 536,008	$ 326,731	$ 1,035,122
Accumulated Amortization						
Amortization for the period	6	145	13,133	-	32,642	45,926
Balance - October 31, 2017	$ 6	$ 145	$ 13,133	$ -	$ 32,642	$ 45,926
Net Book Value						
As at October 31, 2017	$ 744	$ 2,085	$ 156,270	$ 536,008	$ 294,089	$ 989,196

9. Intangible Assets

The Company's intangible asset included amounts charged to develop the Company's website and brand positioning. As at October 31, 2017, work on the Company's website and brand positioning had yet to be completed. Therefore, as at October 31, 2017, the Company had not yet determined the useful lives of the assets and have yet to commence amortization. Once the useful lives of the assets are determined, amortization will be calculated on a straight-line basis over the respective useful lives.

10. Finance lease liabilities

The Company entered into a thirty-six month lease for growing equipment, which has been classified as a finance lease. As at October 31, 2017, the related lease liabilities are payable as follow:

	Future minimum lease payments	Interest	Total
Less than one year	$ 39,666	$ 17,670	$ 57,336
Between one and five years	82,810	12,750	95,560
	$ 122,476	$ 30,420	$ 152,896

As at October 31, 2017, the net book value of the growing equipment under finance lease is $130,671.

11. Notes Payable

During the period ended October 31, 2017, the Company issued the following unsecured promissory notes:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2016	$ -	$ -	$ -
12% - February 1, 2017 (i)	50,000	50,000	4,444
25% - October 1, 2017 (ii)	500,000	500,000	10,416
Other	2,815	2,815	-
	552,815	552,815	14,860
Deferred financing costs	(1,170)	(1,170)	-
Amortization of deferred financing costs	528	528	-
Interest expense on long-term debt	-	-	14,860
Balance - October 31, 2017	552,173	552,173	14,860
Less: current portion	502,173	502,173	-
Balance - net of current portion	$ 50,000	$ 50,000	$ -

i) On February 1, 2017: Principal of $50,000 with simple interest accrued at a rate of 12% per annum. Interest only payments due on the following: (i) $6,000 on each of July 1, 2018 and July 1, 2019 and interest and principal payment, $56,000 due on July 1, 2020. As at October 31, 2017, accrued interest of $4,444 was incurred.

ii) During the period ended October 31, 2017, the Company borrowed $500,000 on a short-term basis with simple interest accrued at a rate of 25%. Subsequent to October 31, 2017, the Company formalized this debt by way of a convertible promissory note (see note 20(h)). As at October 31, 2017, accrued interest of $10,416 was incurred.

12. Convertible Promissory Notes

	Face value	Carrying amount	Interest payable
Balance - October 31, 2016	$ -	$ -	$ -
15% - February 1, 2017 (i)	100,000	100,000	11,209
15% - February 1, 2017 (ii)	100,000	100,000	11,209
25% - June 1, 2017 (iii)	637,775	637,775	65,816
50% - July 26, 2017 (iv)	100,000	100,000	13,185
50% - July 26, 2017 (v)	100,000	100,000	13,185
50% - July 26, 2017 (vi)	100,000	100,000	13,185
50% - October 1, 2017 (vii)	250,000	250,000	10,274
50% - October 20, 2017 (viii)	100,000	100,000	1,507
50% - October 23, 2017 (ix)	50,000	50,000	548
	1,537,775	1,537,775	140,118
Deferred financing costs	(20,008)	(20,008)	-
Amortization of deferred financing costs	624	624	-
Interest expense on long-term debt	-	-	140,118
Fair value of conversion option	-	(157,000)	-
Interest accretion	-	33,191	-
Balance - October 31, 2017	1,518,391	1,394,582	140,118
Less: current portion	640,065	640,065	-
Balance - net of current portion	$ 878,326	$ 754,517	$ -

During the period ended October 31, 2017, the Company issued the following unsecured convertible promissory notes:

i) Effective February 1, 2017: Principal of $100,000 with simple interest accrued at a rate of 15%. Principal and interest due and payable on the three year anniversary of the promissory note, February 1, 2020. In the event the Company completes a qualified equity financing transaction on or before the maturity date of the promissory note, the holder has the right to convert in whole or in part the unpaid principal and interest balance into fully paid non-assessable shares of common stock of the Company. The conversion price per unit will equal 80% of the price per unit paid in cash by purchasers of new units in a qualified equity transaction. As at October 31, 2017, accrued interest of $11,209 was incurred. The fair value of the conversion option was estimated as $Nil.

ii) Effective February 1, 2017: Principal of $100,000 with simple interest accrued at a rate of 15%. Principal and interest due and payable on the three year anniversary of the promissory note, February 1, 2020. In the event the Company completes a qualified equity financing transaction on or before the maturity date of the promissory note, the holder has the right to convert in whole or in part the unpaid principal and interest balance into fully paid non-assessable shares of common stock of the Company. The conversion price per unit will equal 80% of the price per unit paid in cash by purchasers of new units in a qualified equity transaction. As at October 31, 2017, accrued interest of $11,209 was incurred. The fair value of the conversion option was estimated as $Nil. On June 15, 2018, the principle of $100,000 and unpaid interest of $20,465 were converted into 115 common units of the Company (see note 20(u)).

12. Convertible Promissory Notes (continued)

iii) Effective June 1, 2017: the Company entered into an agreement with its President and CEO and the President and CEO's spouse (the "Holder"), whereby the Holder purchased a convertible non-negotiable promissory note for total principal of $637,775 with simple interest calculated at a rate of 25% per annum. The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) 36 months from the effective date of the note; or (b) the occurrence of a change of control of the Company. A balloon interest payment of $30,000 is due to the Holder on June 1, 2018. The note does not have a prepayment option under the agreement, unless agreed to in writing by the Holder. On June 1, 2018, the principle of $637,775 and unpaid interest of $146,157 (which included the $30,000 balloon interest payment) were converted into 922.70 common units of the Company (see note 20(t)).

In the event the Company completes a qualified equity financing transaction on or before the maturity date of the promissory note, the holder has the right to convert in whole or in part the unpaid principal and interest balance into fully paid non-assessable shares of common stock of the Company at a price per unit equal to the applicable conversion price calculated immediately before the closing of a going public event or qualified transaction. At any time prior to the maturity of the agreement, the Holder has the right to convert a portion of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of the Company.

The conversion price represents an amount equal to the applicable conversion valuation divided by the number of units outstanding at the time of conversion. The Conversion valuation represents the following a) $10,000,000 if the holder converts the note within 12 months of the effective date of the note and b) $15,000,000 if the holder converts the note after 12 months of the effective date of the note, but prior to the note's maturity. As at October 31, 2017, accrued interest of $65,816 was incurred.

The fair value of the conversion option was estimated as $54,000 using the following inputs, assumptions and estimates:

Risk-free interest rate	1.68%
Expected life	2.6 years
Expected volatility	70%
Share price	$612
Units outstanding at time of conversion	10,000
Conversion price at time of conversion	$1,000 - $1,500

iv) Effective July 26, 2017, the Company through its wholly owned subsidiary GRU Properties, LLC entered into an agreement whereby the holder purchased a convertible promissory note for the total principal of $100,000 with simple interest calculated at a rate of 50% per annum for the first 6 months. The note becomes due on February 1, 2018 and is extendable for another 6 months at the holder's option. If the holder extends the term an additional 6 months the rate of simple interest will change to 30%, such that at the end of the 12 month period, the total outstanding principal and interest amount would not exceed $140,000.

12. Convertible Promissory Notes (continued)

The holder of the convertible promissory note has the unrestricted right, at the holder's option to convert a maximum of $125,000 of the outstanding balances into common units of the Company at a price per unit agreed upon by the Company and the holder, or if a conversion price per unit cannot be agreed upon, the price per unit will be determined by appraisal. The right to convert may be exercised after the extended maturity date of the convertible promissory note. The number of common shares into which the convertible promissory notes may or will be converted shall be determined by dividing the unpaid principal balance, together with all accrued and unpaid interest thereon, by the conversion price. As at October 31, 2017, accrued interest of $13,185 was incurred. On January 31, 2018, $50,000 of the outstanding principal was repaid and the remaining principal of $50,000 was extended to August 31, 2018 (see notes 20(l)(i) and 20(l)(ii)) and $25,000 of accrued and unpaid interest was converted into common units of the Company. On August 1, 2018, the holder of the convertible promissory note extended the maturity date to August 1, 2019, with interest at 12.5% per annum, payable monthly.

The fair value of the conversion option was estimated as $23,000 using the following inputs, assumptions and estimates:

Risk-free interest rate	1.36%
Expected life	0.75 years
Expected volatility	70%
Share price	$612
Conversion price at time of conversion	$612

v) Effective July 26, 2017, the Company through its wholly owned subsidiary GRU Properties, LLC entered into an agreement whereby the holder purchased a convertible promissory note for the total principal of $100,000 with simple interest calculated at a rate of 50% per annum for the first 6 months. The note becomes due on February 1, 2018 and is extendable for another 6 months at the holder's option. If the holder extends the term an additional 6 months the rate of simple interest will change to 30%, such that at the end of the 12 month period, the total outstanding principal and interest amount would not exceed $140,000.

The holder of the convertible promissory note has the unrestricted right, at the holder's option to convert a maximum of $125,000 of the outstanding balances into common units of the Company at a price per unit agreed upon by the Company and the holder, or if a conversion price per unit cannot be agreed upon, the price per unit will be determined by appraisal. The right to convert may be exercised after the extended maturity date of the convertible promissory note. The number of common shares into which the convertible promissory notes may or will be converted shall be determined by dividing the unpaid principal balance, together with all accrued and unpaid interest thereon, by the conversion price. As at October 31, 2017, accrued interest of $13,185 was incurred. On January 31, 2018, the principal of $100,000 and unpaid interest of $50,000 were converted into 89.8 common units of the Company (see note 20 (l)(iii)).

The fair value of the conversion option was estimated as $23,000 using the following inputs, assumptions and estimates:

Risk-free interest rate	1.36%
Expected life	0.75 years
Expected volatility	70%
Share price	$612
Conversion price at time of conversion	$612

12. Convertible Promissory Notes (continued)

vi) Effective July 26, 2017: Principal of $100,000 with simple interest calculated at a rate of 50% per annum for the first 6 months. The note becomes due and payable on the earlier of a) February 1, 2018 unless extended for another 6 months at the holder's option and b) the occurrence of a change of control of the Company. At the maturity date, the holder has the right to either a) convert the total unpaid principal and accrued interest balance into other convertible notes then being offered or b) extend the original term of the note for an additional 6-month period. If the holder extends the term an additional 6-months the rate of simple interest will change to 30% per annum. As at October 31, 2017, accrued interest of $13,185 was incurred. On January 31, 2018, the principal and unpaid interest were converted into 74.8 common units of the Company (see note 20(k)).

The fair value of the conversion option was estimated as $15,000 using the following inputs, assumptions and estimates:

Risk-free interest rate	1.15%
Expected life	0.25 years
Expected volatility	60%
Share price	$612
Conversion price at time of conversion	$612

vii) Effective October 1, 2017: the Company entered into an agreement with its President and CEO and the President and CEO's spouse (the "Holder"), whereby the Holder purchased a convertible non-negotiable promissory note for total principal of $250,000 with simple interest calculated at a rate of 50% per annum. The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) 12 months from the effective date of the note; or (b) the occurrence of a change of control of the Company. A balloon interest payment of $15,000 is due to the Holder on day 180. The note does not have a prepayment option under the agreement, unless agreed to in writing by the Holder. Effective March 31, 2018, the principal and unpaid interest of $46,250 were converted into 332.4 common units of the Company (see note 20(r)).

At any time prior to the maturity of the agreement, the Holder has the right to convert a portion of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of the Company at a price per unit equal to the applicable conversion price calculated immediately before the closing of a going public event or qualified transaction.

The conversion price represents an amount equal to the applicable conversion valuation divided by the number of units outstanding at the time of conversion. The Conversion valuation represents the following a) $10,000,000 if the holder converts the note within 6 months of the effective date of the note and b) $15,000,000 if the holder converts the note after 6 months of the effective date of the note, but prior to the note's maturity. As at October 31, 2017, accrued interest of $10,274 was incurred.

12. Convertible Promissory Notes (continued)

The fair value of the conversion option was estimated as $8,000 using the following inputs, assumptions and estimates:

Risk-free interest rate	1.41%
Expected life	0.92 years
Expected volatility	70%
Share price	$612
Units outstanding at time of conversion	10,000
Conversion price at time of conversion	$1,000 - $1,500

viii)On October 20, 2017: Principal of $100,000 with simple interest accrued at a rate of 50% per annum. All unpaid principal and accrued interest become due and payable on the earlier of a) the 6 month anniversary of the note, unless extended at the sole discretion of the holder and b) the occurrence of a change of control of the Company. At the Maturity date, the holder has the right to either a) convert the total unpaid principal and accrued interest into other convertible notes then being offered by the Company or b) extend the maturity of the note by 6 months. Should the holder extend the note, interest will accrue on the original principal at a rate of 30% per annum. As at October 31, 2017, accrued interest of $1,507 was incurred. As of the maturity date, October 20, 2017, the maturity date was extended by 6 months and fully matured on April 20, 2018. On April 20, 2018, the maturity was extended by 6 months to October 20, 2018 with interest accrued at a rate of 30% during the extension period. The maturity date was then extended further to November 8, 2018.

The fair value of the conversion option was estimated as $23,000 using the following inputs, assumptions and estimates:

Risk-free interest rate	1.27%
Expected life	0.47 years
Expected volatility	70%
Share price	$612
Conversion price at time of conversion	$612

ix) On October 23, 2017: Principal of $50,000 with simple interest accrued at a rate of 50% per annum. All unpaid principal and accrued interest become due and payable on the earlier of a) the 6 month anniversary of the note, unless extended at the sole discretion of the holder and b) the occurrence of a change of control of the Company. At the maturity date, the holder has the right to either a) convert the total unpaid principal and accrued interest into other convertible notes then being offered by the Company or b) extend the original term of the note an additional 6-month period. If the holder extends the term an additional 6-month period, the rate of simple interest will change to 30% per annum. As at October 31, 2017, accrued interest of $548 was incurred. Efective January 23, 2018, the principal and unpaid interest were converted into 34 common units of the Company (see note 20(j)).

The fair value of the conversion option was estimated as $11,000 using the following inputs, assumptions and estimates:

Risk-free interest rate	1.27%
Expected life	0.48 years
Expected volatility	70%
Share price	$612
Conversion price at time of conversion	$612

13. Member's Capital

The Company is authorized to issue 7,000 common units and 3,000 common units.

The following table summarizes the common unit activities for the period ended October 31, 2017:

	Number of Common Units	Member's Capital
Balance, October 31, 2016 (date of inception)	-	$ -
Issued during the period (i)	7,000	100
Balance, October 31, 2017	7,000	$ 100

i) During the period ended October 31, 2017, the Company issued 7,000 common units to the Company's CEO and President for proceeds of $100.

14. Related Party Transactions

During the period ended October 31, 2017, the Company incurred the following related party transactions:

i) Through its wholly owned subsidiary, GRU Properties, LLC leased 41.92 acres of real property located in Trail, Oregon owned by the Company's President and CEO. The lease expires on December 31, 2020. Rent of $50,000 was included in facility expense for the period ended October 31, 2017. The Company had $45,000 owing in accounts payable and accrued liabilities at October 31, 2017.

ii) Purchased inventory of $208,238 from a company under common control of the Company's President and CEO. At October 31, 2017, accounts payable and accrued liabilities includes $208,238 payable to this company.

iii) The Company incurred employee/director fees of $14,000 with an individual related to the Company's President and CEO. At October 31, 2017, due to employee/ director includes $14,000 payable to this individual.

iv) The Company incurred fees related to marketing and promotion services of $89,504 from two companies owned by the Company's Marketing Consultant. At October 31, 2017, accounts payable and accrued liabilities includes $4,362 payable to these companies.

v) The Company incurred fees related to computer services of $9,060 from a company owned by an individual related to the Company's President and CEO. As at October 31, 2017, accounts payable and accrued liabilities includes $nil payable to this company.

14. Related Party Transactions (continued)

vii) Key management personnel consists of the President and CEO; Executive Vice President, CFO/General Counsel; and the CSO. The compensation paid or payable to key management for services for the period ended October 31, 2017 is as follows:

Salaries and consulting fees	$ 235,504

Accounts payable and accrued liabilities at October 31, 2017 includes $14,362, and due to employee/ director includes $90,000 payable to these parties.

The transactions are in the normal course of operations and are measured at the exchange amounts agreed to by the parties.

Other related party transactions are disclosed in note 12.

15. Financial Instruments

i) Market Risk

a) Currency Risk

As at October 31, 2017, no financial assets and liabilities were denominated in a foreign currency.

b) Interest Rate Risk

At October 31, 2017 and 2016, the Company's exposure to interest rate risk relates to long-term debt, convertible promissory notes, and finance lease obligations, but its interest rate risk is limited as the aforementioned financial instruments are fixed interest rate instruments.

c) Credit Risk

Credit risk is derived from cash and trade accounts receivable. The Company places its cash in deposit with major United States financial institutions. The Company has established a policy to mitigate the risk of loss related to granting customer credit.

The carrying amount of cash and trade accounts receivable represents the Company's maximum exposure to credit risk, which amounted to $484,949 as at October 31, 2017.

As at October 31, 2017, the Company's trade accounts receivable were aged as follows:

Current	$ 10,400
1-30 days	9,700
31 days-older	11,650
	$ 31,750

15. Financial Instruments (continued)

d) Liquidity Risk

Liquidity risk represents the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. At October 31, 2017, the Company has current assets of $1,885,922 and current liabilities of $2,147,549, which resulted in a working capital deficit of $261,627.

The contractual maturities of the Company's accounts payable and accrued liabilities, convertible promissory notes, long-term debt, and finance lease payable occurs over the next three years as follows:

	Year 1	Years 2 - 3
Accounts payable and accrued liabilities	$ 706,667	$ -
Convertible promissory notes	640,065	754,517
Long-term debt	502,173	50,000
Due to employee/officer	104,000	-
Interest payable	154,978	-
Deferred rent	-	24,912
Finance lease	39,666	82,810
Derivative liabilities	-	157,000
	$ 2,147,549	$ 1,069,239

e) Fair Values

The carrying amounts for the Company's cash, accounts receivable, amounts due from a related company, short-term advance to a related party, accounts payable and accrued liabilities, amounts due to employee/director, short-tem advance payable, promissory notes and convertible promissory notes approximate their fair values because of the short-term nature of these items.

f) Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair valued for both financial and non-financial assets and liabilities. The Company has an established framework, which includes team members who have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. The Company regularly assesses significant unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

15. Financial Instruments (continued)

f) Fair Value Hierarchy(continued)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the period ended October 31, 2017 there were no transfers of amounts between levels.

16. Segmented information

The Company's only operating segment is the production and sale of cannabis. All property and equipment and intangible assets are located in the United States. All revenue were generated in the United States during the period ended October 31, 2017.

17. General and Administrative Expenses

General and administrative expenses for the period ended October 31, 2017 follow:

Legal and professional	$	525,810
Salaries and benefits		200,274
Facility expense		123,703
Marketing and promotion		90,673
Travel		43,611
Office expense		30,845
Business license and fees		19,362
Consultants		9,088
Commissions		4,133
Bank fees		2,156
	$	1,049,655

18. Capital Disclosures

The Company includes equity, comprised of share capital, contributed surplus (including the fair value of equity instruments to be issued), equity component of convertible promissory notes and deficit, in the definition of capital.

The Company's objectives when managing capital are as follows:

(i) to safeguard the Company's assets and ensure the Company's ability to continue as a going concern;

(ii) to raise sufficient capital to finance the construction of its production facility and obtain license to produce recreational marijuana; and

(iii) to raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives.

The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

The Company does not have any externally imposed capital requirements.

19. Commitments

a) The Company has commitments under operating leases for its facilities and commitments under a finance lease for equipment. The minimum lease payments due are as follows:

Fiscal Year		Amount
2018	$	211,336
2019		191,836
2020		160,224
2021		20,600

20. Subsequent Events

Subsequent to the period ended October 31, 2017:

a) Effective November 7, 2017, the Company entered into an agreement with the Company's Marketing Consultant (the "Consultant") whereby the Consultant purchased a convertible promissory note for the total principal of $300,000 with simple interest accrued at a rate of 50%. Accrued interest shall be paid in monthly installments of $12,500 until maturity. A balloon interest payment of $15,000 is due to the Consultant on day 180. The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) 12 months from the effective date of the note; or (b) the occurrence of a change of control of the Company. The note does not have a prepayment option under the agreement, unless agreed to in writing by the purchaser.

   At any time prior to the maturity of the agreement, the Consultant has the right to convert all (but not less than all) of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common units of the Company at a price per unit equal to the applicable conversion price calculated immediately before the closing of a going public event or qualified transaction.

   The conversion price represents an amount equal to the applicable conversion valuation divided by the number of units outstanding at the time of conversion. The Conversion valuation represents the following a) $15,000,000 if the holder converts the note within 6 months of the effective date of the note and b) $18,000,000 if the holder converts the note after 6 months of the effective date of the note, but prior to the note's maturity.

b) Effective November 8, 2017, the Company entered into an agreement with a third party to lease equipment at a cost $158,193 over a thirty-six month period for monthly payments of $5,630. The terms and conditions of the lease predicate that substantially all of the risks and rewards of ownership of the leased asset transfer to the Company. Therefore, the Company will classify the agreement as a finance lease.

c) Effective November 14, 2017, the Company entered into an agreement with certain purchasers (collectively the "Purchasers" and individually the "Purchaser"), to issue a series of notes with substantially similar terms, including maturity, interest rates, and conversion terms. Under the agreements, the Purchasers purchased convertible promissory notes with aggregate principal of $550,000. The notes accrue simple interest as follows:

   i) Interest will accrue on the outstanding principal at an annual rate of 50% calculated on the basis of a year of 365 days.

   ii) Should the Purchasers extend the maturity date due to a public event prior to the end of the period, the Purchaser has the right to extend the Maturity date by up to 3 months after the consummation of the public event at an annual rate of 0% following the initial period.

20. Subsequent Events (continued)

iii) Should purchasers extend the Maturity Date by 6 months on all but not less than all of the then-outstanding principal; provided, however the Company shall pay Holder all principal not so extended, and all accrued but unpaid interest at the end of the initial period at an annual rate of 30% calculated on the basis of a year of 365 days.

iv) Should the Purchaser extend the maturity date of this note by 18 months on not less than $10,000 of the then-outstanding principal and unpaid interest accrued under the Note at the end of the initial period; provided, however the Company shall pay Purchaser all principal and/or interest for which the maturity date is not so extended at an annual rate of 20% calculated on the basis of a year of 365 days.

The notes, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) the date on which the initial period ends (the Maturity Date) unless the Maturity Date is extended by Purchaser by 3, 6, or 18 months after the Public Event. The notes may not be prepaid, in whole or in part, prior to the Maturity Date without the prior written consent of a majority in interest of a Purchaser.

If at any time prior to the maturity of the notes and qualified equity financing occurs, the Purchaser has the right to convert not less than $10,000 of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of the Company at a price per unit equal to the applicable conversion price. If the Purchaser has extended the maturity date and the qualified equity financing occurs during the 18 months following the initial period, the Purchaser shall have the obligation to convert all of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership until of the Company at a price per unit equal to the applicable conversion price. The conversion price represents the following:

i) In the event of a qualified equity financing, the lower of (i) the valuation cap divided by issued and outstanding share count immediately prior to the qualified equity financing, or (ii) eighty percent (80%) of the price per unit paid in cash by purchasers of New Units issued in such qualified equity financing; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the initial period, up to a maximum of ten percent (10%) (e.g., if such an event of default continues for five months, the conversion price under this paragraph (a) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above); or

ii) In the event of a public event the lower of (i) the valuation cap divided by the issued and outstanding share count immediately prior to the public event, or (ii) eighty percent (80%) of the price per unit paid in cash by purchasers of new units issued in such Public Event; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the Initial Period, up to a maximum of ten percent (10%) (*e.g.*, if such an event of default continues for five months, the conversion Price under this paragraph (b) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above); or

20. Subsequent Events (continued)

iii) In the event of a change of control transaction, the lower of (i) the valuation cap divided by the change of control issued and outstanding share count immediately prior to the qualified equity financing, or (ii) eighty percent (80%) of the price per unit paid by the purchaser(s) in such change of control transaction; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the initial period, up to a maximum of ten percent (10%) (*e.g.*, if such an event of default continues for five months, the conversion price under this paragraph (c) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above); provided, further, that if a transaction or event can be characterized both as a public event and as a change of control transaction, the conversion price shall be established as if such transaction or event were a change of control transaction; or

vi) In the event of a nonqualified equity financing, the lower of (i) the valuation cap divided by Issued and outstanding share count immediately prior to the nonqualified equity financing, or (ii) eighty percent (80%) of the price per unit paid in cash by purchasers of new units issued in such nonqualified equity financing; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the initial period, up to a maximum of ten percent (10%) (e.g., if such an event of default continues for five months, the conversion price under this paragraph (a) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above).

d) Effective December 11, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 253 Units for total proceeds of $349,290.85. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The Conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

e) Effective December 11, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 56 Units for a total purchase price of $99,290.80. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The Conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

20. Subsequent Events (continued)

f) Effective December 11, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 139 Units for a total purchase price of $246,453.95. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The Conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

g) Effective December 15, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 3 Units for a total purchase price of $5,319.15. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

h) Effective December 15, 2017, the Company entered into an agreement whereby the holder purchased a convertible promissory note for the total principal of $1,000,000 with simple interest accrued at a rate of 25%, payable as follows:

   i) $26,041.67, which represents interest accrued from October 1, 2017 to December 15, 2017 on the sum of $500,000, of debt previously held by the holder (see note 11(ii)).

   ii) Interest shall accrue from the effective date of the note on the total sum of $1,000,000 and paid in monthly installments of $20,833.33 to the holder beginning on January 15, 2018.

   iii) A one-time additional interest payment equal to 5% of the unpaid principal balance payable concurrent with the 12th scheduled monthly installment payment is otherwise due. In the event the holder completed a full or partial conversion within 12 months of the effective date, the one-time interest payment shall be pro-rated as at the date of the full or partial conversion.

   The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) 36 months from the effective date of the note; or (b) the occurrence of a change of control of the Company. Within the first 24 months from the effective date of the note, no prepayment will occur, except for payments of accrued interest or other payments as outlined above.

20. Subsequent Events (continued)

At any time prior to the 24 month anniversary of the effective date of the note, the holder has the right to fully or partially convert the outstanding principal and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of the Company at a price per unit equal to the applicable conversion price. The Conversion price represents an amount equal to the applicable conversion valuation divided by the number of issued and outstanding units of the Company at the time of conversion calculated immediately before the closing of a qualified equity financing event if the conversion is in conjunction with a qualified equity financing event.

If the Company consummates a going public event within the 12 months anniversary date of the note, the holder has the right to fully or partially convert the total principal outstanding at a price per unit equal to the applicable conversion price by providing written notice to the Company of its election to convert within 7 days after receipt from the Company of the financing notice. If the holder so converts, the Company will offer the holder a position as a strategic advisor to the Company for a 12 month term, which commences on the date of conversion. The holder will receive gross monthly compensation equal to $10,000 if the holder fully converts or a portion of the $10,000 equal to the ratio of the amount converted.

The conversion valuation represents the following a) $20,000,000 if the holder converts the note within 12 months of the effective date of the note and b) $40,000,000 if the holder converts the note after 12 months of the effective date of the note, but before 24 months of the effective date of the note.

i) Effective January 5, 2018, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the “Units”) at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 170 Units for a total purchase price of $301,418.50. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

j) Effective January 26, 2018, the holder of a convertible promissory note referred to in Note 12 ix), converted the original principal amount of $50,000 and all accrued and unpaid interest of $6,458 into 34 uncertified common units of the Company.

k) Effective January 31, 2018, the holder of a note payable referred to in Note 12 vi), assigned 100% of the principal and accrued and unpaid interest to a limited liability company (the "Entity"), which is wholly owned by the holder. Through the execution of the assignment agreement, and terms within, the Entity converted the original principal amount of $100,000 and all accrued and unpaid interest of $25,000 into 74.8 uncertified common units of the Company.

20. Subsequent Events (continued)

l) Effective January 31, 2018 the holder of two convertible promissory notes in the original principal amount of $100,000 each as referred to in Note 12 iv) & v), took the following actions:

   i) Received a return of principal of $50,000 from one of the convertible promissory notes.

   ii) Extended the maturity date of the continuing convertible promissory note for the principal amount of $50,000 to August 1, 2018 with a coupon interest rate of 30% per annum. All principal and accrued and unpaid interest, shall become due on the earlier of a) August 1, 2018 or b) the occurrence of a change of control of the Company; and

   iii) Converted the original principal of the second convertible promissory note and all accrued and unpaid interest from both notes into 89.8 uncertified common units of the Company.

m) Effective February 9, 2018, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 750 Seed Round Preferred Units (the “Units”) at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 56 Units for a total purchase price of $99,290.80. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

n) Effective February 9, 2018, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 750 Seed Round Preferred Units (the “Units”) at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 56 Units for a total purchase price of $99,290.80. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

o) Subsequent to October 31, 2017, the Company had a series of amendments to its operating agreement, the result of which is that the Company is authorized to issue up to 20,000 common units and 750 Seed Round Preferred Units.

p) On November 27, 2017, the Company issued 300 incentive units to an employee of the Company. The incentive units was granted to the employee subsequent to October 31, 2017.

q) Effective March 1, 2018, the Company issued 750 common units to the Company's CFO/ general counsel and 750 common units to the Company's marketing consultant.

r) Effective March 31, 2018, the holder of a convertible promissory note converted the original principal amount of $250,000 and all accrued and unpaid interest of $46,250 into 332.4 uncertified common units of the Company (see note 12(vii)).

20. Subsequent Events (continued)

s) Subsequent to October 31, 2017, the Company issued 190.8 common units for proceeds of $225,000.

t) Effective June 1, 2018, the holder of a convertible promissory note converted the original principal amount of $637,775 and all accrued and unpaid interest of $146,157 into 922.70 uncertified common units of the Company (see note 12(iii)).

u) Effective June 15, 2018, the holder of a convertible promissory note converted the original principal amount of $100,000 and all accrued and unpaid interest of $20,465 into 115 uncertified common units of the Company.

v) Subsequent to October 31, 2017, the Company issued an unsecured promissory note in the principal amount of $50,000.

w) Subsequent to October 31, 2017, the Company granted an option to purchase 2,727,250 common units of the Company for an aggregate amount of CAD$54,545 at any point prior to December 31, 2018. The exercise of the option is contingent upon the optionee having invested a minimum of CAD$1,050,000 of cash in securities of another party. Subsequent to October 31, 2017, this minimum investment had been completed. Also subsequent to October 31, 2017, the option was cancelled by the Company.

x) Subsequent to October 31, 2017, the Company entered into a technology license agreement (the "Technology License Agreement") pursuant to which, the Company was granted the exclusive license to certain intellectual property in the field of development, breeding, cultivation, growing, harvesting, processing and commercializing cannabis, hemp and related plants and products (the "Technology").

y) Subsequent to October 31, 2017, the Company entered subscription agreements pursuant to which the Company issued and sold on a subscription receipt basis, 3,741,023 units (the "GR Units") containing one Common Unit and one purchase warrant (the "GR Warrant") for gross proceeds of CAD$1,646,050 ($1,271,278). Each GR Warrant allows the holder to purchase one Common Unit of the Company at an exercise price of CAD$0.55 per unit for a period of 24 months.

   In connection with the issuance of the GR Units, the Company is required to pay cash commissions of CAD$57,712 ($37,180) to the agents pursuant to an agency agreement dated July 5, 2018, as amended.

20. Subsequent Events (continued)

z) Subsequent to October 31, 2017, the Company entered into purchase agreements, pursuant to which the Company issued convertible debentures in the aggregate principal amount of CAD$1,500,000 ($1,158,480) (the "Debentures"). Each Debenture matures 24 months from the date of issuance and bears interest at 2% per annum payable quarterly in arrears on the last day of March, June, September and December of each year. The Debentures are convertible into Common Units of the Company at a price of CAD$0.44 per Common Unit and are secured by a general security agreement granting a security interest in all of the Company's and its subsidiaries property and assets.

In connection with the issuance of the Debentures, the Company paid cash commissions of CAD$105,000 ($81,904) to the agents pursuant to an agency agreement dated July 8, 2018, as amended.

aa) Subsequent to October 31, 2017, the Company completed a financing for aggregate proceeds of CAD$649,351, pursuant to which it issued 1,475,979 common units and warrants to purchase a further 1,675,979 common units. Each warrant shall be exercisable period of two years following the date of option exercise ("the Expiration Date"); provided, however, that the expiration date shall be automatically extended for an additional three years (the “Extended Period”) if, during the initial two-year term the Company does not raise at least $18,000,000 in additional equity capital at an effective price per common unit at or above $0.70 (a “Qualified Offering”); and provided further, that the Company has the right, only during the Extended Period, if any, and only following the exercise of the Option, to accelerate the expiration date to forty-five days following written notice to the holder if during the Extended Period the Company closes a Qualified Offering.

Unaudited Condensed Consolidated Interim Financial Statements

Grown Rogue Unlimited, LLC

For the Three and Nine Month Periods Ended July 31, 2018 and 2017

(Expressed in United States Dollars)

Grown Rogue Unlimited, LLC

Unaudited Condensed Consolidated Interim Statements of Financial Position
Expressed in United States Dollars

	July 31, 2018 (Unaudited)	October 31, 2017 (Audited)
Assets		
Current Assets		
Cash	$ 100,685	$ 453,199
Accounts receivable, net	330,591	31,750
Other receivable	4,804	-
Biological assets (note 6)	521,348	10,436
Inventory (note 7)	1,383,446	1,342,597
Prepaid expenses and other assets	119,401	47,940
	2,460,275	1,885,922
Property and equipment (note 8)	1,567,056	989,196
Intangible assets (note 9)	69,814	39,373
Deferred transaction costs	316,689	-
	$ 4,413,834	$ 2,914,491
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,678,049	$ 706,667
Finance lease payable (note 10)	95,071	39,666
Convertible promissory notes (note 12)	896,073	640,065
Long-term debt (note 11)	-	502,173
Due to employee/director (note 15)	104,000	104,000
Interest payable (note 11, 12)	463,719	154,978
	3,236,912	2,147,549
Finance lease payable (note 10)	124,041	82,810
Convertible promissory notes (note 12)	1,113,929	754,517
Long-term debt (note 11)	50,000	50,000
Deferred rent (note 16)	34,069	24,912
Derivative liabilities	129,500	157,000
	4,688,451	3,216,788
Members' Deficit		
Members' Capital (note 13)	4,154,426	100
Contributed Surplus (note 14)	871,230	-
Accumulated Deficit	(5,300,273)	(302,397)
	(274,617)	(302,297)
	$ 4,413,834	$ 2,914,491

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Approved by the Managing Member of the LLC

Signed "Jesse (Obie) Strickler" , Managing Member of the LLC

Grown Rogue Unlimited, LLC

Unaudited Condensed Consolidated Interim Statements of Operations
For the three and nine month periods ended July 31
Expressed in United States Dollars

	Three Months Ended		Nine Months Ended	
	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017
Revenue	$ 679,906	$ 10,844	$ 1,141,892	$ 10,844
Unrealized gain on changes in fair value of biological assets (note 6)	(374,801)	-	(467,796)	-
Cost of good sold (note 7)	705,030	11,475	1,660,187	11,475
Cost of good sold (recovery to cost of sales), net of the unrealized gain on changes in fair value of biological assets	330,229	11,475	1,192,391	11,475
Gross profit (loss)	349,677	(631)	(50,499)	(631)
Expenses				
General and administrative (note 18)	595,475	151,112	1,802,030	395,356
Amortization of intangible assets (note 9)	7,234	-	11,529	-
Amortization of property and equipment (note 8)	131,585	-	323,141	-
Accretion Expense (note 12)	14,893	-	109,990	-
Unit- based compensation (note 13(xiii))	-	-	1,049,595	-
	749,187	151,112	3,296,285	395,356
Loss from operations	(399,510)	(151,743)	(3,346,784)	(395,987)
Interest expense	(189,640)	(1,886)	(782,259)	(1,886)
Finance charge expense (note 14)	(871,230)	-	(871,230)	-
Gain on derecognition of derivative liability	-	-	11,500	-
Loss on disposal of property and equipment	-	-	(9,103)	-
Net loss	$ (1,460,380)	$ (153,629)	$ (4,997,876)	$ (397,873)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Grown Rogue Unlimited, LLC

Unaudited Condensed Consolidated Interim Statements of Changes in Members' Deficit
Expressed in United States Dollars

	Common Units	Incentive Units	Seed Round Preferred Units	Total Members' Capital	Contributed Surplus	Accumulated Deficit	Total Members' Deficit
Balance - October 31, 2016	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Common units issued for cash	100	-	-	100	-	-	100
Net loss	-	-	-	-	-	(302,397)	(302,397)
Balance - October 31, 2017	$ 100	$ -	$ -	$ 100	$ -	$ -	$ (302,297)

	Common Units	Incentive Units	Seed Round Preferred Units	Total Members' Capital	Contributed Surplus	Accumulated Deficit	Total Members' Deficit
Balance - October 31, 2017	$ 100	$ -	$ -	$ 100	$ -	$ (302,397)	$ (302,297)
Common units issued pursuant to conversion of notes payable (note 13)	1,604,787	-	-	1,604,787	-	-	1,604,787
Seed Round Preferred Units issued for cash (note 13)	-	-	1,300,345	1,300,345	-	-	1,300,345
Common units issued for cash (note 13)	225,000	-	-	225,000	-	-	225,000
Common units issued to service providers (note 13)	1,049,595	-	-	1,049,595	-	-	1,049,595
Unit purchase option granted (note 14)	-	-	-	-	871,230	-	871,230
Issuance costs	-	-	(25,401)	(25,401)	-	-	(25,401)
Net loss	-	-	-	-	-	(4,997,876)	(4,997,876)
Balance - July 31, 2018	$ 2,879,482	$ -	$ 1,274,944	$ 4,154,426	$ 871,230	$ (5,300,273)	$ (274,617)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Grown Rogue Unlimited, LLC

Unaudited Condensed Consolidated Interim Cash Flow Statements
For the nine month periods ended July 31
Expressed in United States Dollars

	2018	2017
Cash provided by (used in)		
Operating Activities		
Net loss	$(4,997,876)	$ (397,873)
Adjustments for non-cash items in net loss		
Amortization of property and equipment	323,141	-
Amortization of intangible assets	11,529	-
Unrealized gain on changes in fair value of biological assets	(467,796)	-
Unit-based compensation	1,049,595	-
Amortization of debt issuance costs	642	-
Accretion expense	109,990	-
Finance charge expense	871,230	-
Loss on disposal of property and equipment	9,103	-
Gain on recognition of derivative liability	(11,500)	-
	(3,101,942)	(397,873)
Changes in non-cash balances related to operations		
Accounts receivable	(303,645)	-
Inventory	(83,965)	(343,136)
Prepaid expenses and other assets	(71,461)	(24,239)
Accounts payable and accrued liabilities	1,257,764	440,111
Deferred rent	9,157	-
Net cash used in operating activities	(2,294,092)	(325,137)
Investing Activities		
Purchase of intangible assets	(41,970)	(77,373)
Purchase of property and equipment	(751,911)	(463,107)
Net cash used in investing activities	(793,881)	(540,480)
Financing Activities		
Members' contributions	1,499,944	36,706
Proceeds from long-term debt	1,355,028	1,387,704
Repayment of long-term debt	(114,372)	(64,373)
Payment of debt issuance costs	(5,141)	-
Net cash provided by financing activities	2,735,459	1,360,037
Change in cash	(352,514)	494,420
Cash - beginning of period	453,199	-
Cash - end of period	$ 100,685	$ 494,420
Supplemental cash flow disclosure		
Interest paid	$ 128,042	$ 1,886
Property and equipment acquired through finance leases (note 8)	$ 158,193	$ -
Conversion of notes payable to 1,568.70 common units	$ 1,604,787	$ -

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

1. Nature of Operations

Grown Rogue Unlimited, LLC (the "Company"), was incorporated on October 31, 2016, under Oregon Revised Statutes 63 of the State of Oregon. The Company's registered office is located at 805 SW Broadway, Suite 2400, Portland, Oregon, 97205.

The unaudited condensed consolidated interim financial statements as at July 31, 2018, and for the nine month period ended July 31, 2018, include Grown Rogue Unlimited, LLC and its subsidiaries (collectively referred to as the "Company"). The Company's subsidiaries include Grown Rogue Gardens, LLC; Grown Rogue Distribution, LLC; GRU Properties, LLC; GRIP, LLC; and Grown Rogue Meds, LLC

Grown Rogue Gardens, LLC is engaged in cannabis cultivation activities. Grown Rogue Distribution, LLC is engaged in wholesale activities; GRU Properties, LLC is engaged in real estate activities; and GRIP, LLC is engaged in intellectual property activities.

2. Basis of Presentation

a) Statement of Compliance

The Company's unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements were approved and authorized for issuance by the managing member of the LLC on November 13, 2018.

b) Basis of Measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments and biological assets, which are measured at fair value as described herein.

c) Functional and Presentation Currency

The Company and its affiliates' functional currency is the United States ("U.S.") dollar. These condensed consolidated interim financial statements are presented in U.S. dollars.

d) Basis of Consolidation

The Subsidiaries are controlled by the Company, as the Company is exposed, or has rights, to variable returns from its involvement with the Subsidiaries and has the ability to affect those returns through its power over the Subsidiaries by way of its ownership of all of the issued and outstanding common shares. The financial statements of subsidiaries are included in these condensed consolidated interim financial statements from the date that control commences until the date control ceases. All significant inter-company balances and transactions have been eliminated upon consolidation

3. Significant Accounting Policies

a) Revenue

The Company records revenue when it has transferred the risks and rewards of ownership of the goods to the purchaser, when it has no continuing managerial involvement over the goods, when it is probable the Company will receive the consideration, and when it can reliably measure the amount of revenue and costs associated with the transaction.

b) Inventory

Inventory is valued at the lower of cost and net realizable value. Harvested cannabis included in inventory is recognized at the fair value of the biological asset at the point of harvest. Manufactured inventory and work-in-progress includes an allocation of production overhead, which is based on normal operating capacity. The Company reviews inventories for obsolete, redundant and slow moving goods and any such inventories identified are written down to net realizable value.

c) Cost of good sold

Cost of goods sold includes the cost of finished goods inventory sold during the period, revaluations of biological assets at the point of harvest, and inventory write-downs during the period.

d) Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up-to the point of harvest. Subsequent to harvest, the recognized biological asset amount becomes the cost basis of finished goods inventory. Seeds are measured at fair value. Unrealized gains or losses arising from changes in fair value less costs to sell during the period are included in the condensed consolidated interim results of operations of the appropriate period.

e) Accounts Payable and Accrued Liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle this obligation are both probable and able to be reliably measured.

f) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Significant Accounting Policies (continued)

g) Property and Equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses, if any. Costs include borrowing costs for assets that require a substantial period of time to become ready for use.

Amortization is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. Amortization begins when an asset is available for use, meaning that it is in the location and condition necessary for it to be used in the manner intended by management. The estimated useful lives, residual values and method of amortization are reviewed at each period end, with the effect of any changes in estimated useful lives and residual values accounted for on a prospective basis.

As at July 31, 2018, the Company was in the process of completing construction of its warehouse facility in order to expand its cultivation and wholesale activities. The Company has capitalized the costs incurred to date on the construction-in-process asset, but as the assets were not available for use as intended by management as at July 31, 2018, amortization expense was not recorded.

Amortization is calculated applying the following useful lives:

Computer and office equipment	3 - 5	years on a straight line basis
Production equipment and other	5 - 10	years on a straight line basis
Leasehold improvements	15 - 40	years on a straight line basis

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs of disposal and their value in use. Fair value is the price at which the asset could be bought or sold in an orderly transaction between market participants. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

h) Leased Assets

Leases are classified as finance leases whenever substantially all the risks and rewards of ownership of the leased asset are transferred to the Company. Leased assets are measured initially at an amount equal to the lower of fair value and present value of minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases, where the risks and rewards of ownership are not transferred are classified as operating leases and are not recognized on the Company's condensed consolidated interim statements of financial position.

3. Significant Accounting Policies (continued)

i) Intangible Assets

Intangible assets are initially measured at cost. The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. If impairment indicators are present, these assets are subject to an impairment review. Amortization is calculated using the straight-line method over the estimated useful lives of the intangible assets.

j) Impairment of Long-lived Assets

For all long-lived assets, except for intangible assets with indefinite useful lives and intangible assets not yet available for use, the Company reviews its carrying amount at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Where such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, 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. Impairment losses are recognized in the condensed consolidated interim statements of operations.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in profit or loss.

k) Deferred transaction costs

Deferred transaction costs represents professional fees incurred with respect to a contemplated transaction that is to be completed in a future period. The transaction costs will be recognized in profit and loss in the period in which the transaction is completed.

l) Financial Instruments

Financial assets and liabilities within the scope of IAS 39 (Financial Instruments: Recognition and Measurement) are classified as financial assets or liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets and liabilities at initial recognition.

All of the Company's financial instruments are initially measured at fair value, with subsequent measurements dependent upon the classification of each financial instrument.

Cash is comprised of deposits held in financial institutions and undeposited cash on hand.

3. Significant Accounting Policies (continued)

l) Financial Instruments (continued)

Financial assets are classified as fair value through profit or loss ("FVTPL") if the assets are considered to be held for trading or designated as such upon initial recognition.

Loans and receivables represent financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any losses from impairment. Loans and receivables is comprised of accounts receivable and other receivable.

Other financial liabilities are recognized initially on the date the Company becomes party to the contractual provisions of the financial instrument. Financial liabilities are recognized initially at fair value, including any directly attributable transaction costs. Subsequent to initial recognition, the Company measures financial liabilities at amortized cost using the effective interest rate method. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled. Other financial liabilities include the Company's accounts payable and accrued liabilities, convertible promissory notes, and long-term debt.

The effective interest method is used to calculate the amortized cost of a financial asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that is used to discount estimated future cash receipts or payments over the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Compound financial instruments issued by the Company comprise convertible promissory notes that are convertible to share capital at either the option of the holder or upon consummation of a qualifying go-public transaction. The number of shares to be issued will depend on the conversion price, which will be agreed to by the Company and the purchaser of the note. The liability component of a compound financial instrument would be recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component would be recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument would not be re-measured subsequent to initial recognition.

3. Significant Accounting Policies (continued)

l) Financial Instruments (continued)

The Company's financial assets and financial liabilities are classified and subsequently measured as follows:

Asset/Liability	Classification	Subsequent Measurement
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Other receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Notes payable	Other financial liabilities	Amortized cost
Convertible promissory notes	Other financial liabilities	Amortized cost
Finance lease obligation	Other financial liabilities	Amortized cost
Due to employee/ director	Other financial liabilities	Amortized cost
Interest payable	Other financial liabilities	Amortized cost

m) Impairment of Financial Assets

An impairment loss in respect of a financial asset measured at amortized cost, such as accounts receivable and other receivable, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the corresponding asset.

n) Member's Capital

Member's capital consists of common units, incentive units and seed round preferred units which are classified as equity on the statements of financial position. Incremental costs attributable directly to the issuance of member's capital are recognized as deduction from equity, net of any tax effects.

o) Income Taxes

No provision for federal or state income taxes in included in the Company's condensed consolidated interim financial statements because the tax effects of the Company's income or loss are passed on to the Members.

p) Future Accounting Pronouncements

IFRS 9 Financial Instruments ("IFRS 9") was issued in final form in July 2014 by the IASB, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is currently evaluating the impact adopting IFRS 9 will have on its consolidated financial statements.

3. Significant Accounting Policies (continued)

p) Future Accounting Pronouncements (continued)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB in May 2014 and will replace IAS 18 Revenue, IAS 11 Construction contracts, and IFRIC 13 *Customer loyalty programmes*. IFRS 15 uses a control-based approach to recognize revenue, which represents a change from the risk and reward approach used under the current standard, and it applies to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. Companies can elect to use either a full or modified retrospective approach when adopting the standard, which is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact adopting IFRS 15 will have on its consolidated financial statements.

IFRS 16 Leases ("Leases") was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is currently evaluating the impact adopting IFRS 16 will have on its consolidated financial statements.

4. Liquidity and Capital Resources

The Company has incurred significant losses and has deficiencies in both working capital and total capital. The Company's management continues to finance its cash needs through promissory and convertible promissory notes, and the issuance of membership units. If management is unsuccessful in its efforts to generate profitable operations and/or continue to receive financial support, the Company may not be able to continue as a going concern. The ability of the Company to continue as a going concern and to meet its obligations will be dependent upon successful sales of product and a return to successful operations and cash flows as well as the potential issuance of members' capital. The accompanying condensed consolidated interim financial statements do not reflect any adjustment that might result from the outcome of this uncertainty.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments include those related to the ability of the Company to continue as a going concern, the determination of when property and equipment are available for use, and impairment of its financial and non-financial assets. The most significant estimates and assumptions include those related to the valuation of biological assets, useful lives of property and equipment, and inputs used in accounting the determination of the discount rate used to estimate the fair value of the liability component of convertible promissory notes.

6. Biological Assets

Biological assets consists of cannabis seeds and cannabis plants. The reconciliation of changes in the carrying amounts of biological assets as at July 31, 2018 and October 31, 2017 are as follows:

Balance - October 31, 2016	$ -
Add: Purchase of cannabis seeds	3,200
Add: Purchased mothers & clones	753
Add: Purchased cannabis plants	363,565
Change in fair value less costs to sell due to biological transformation	985,515
Transferred to inventory upon harvest	(1,342,597)
Balance - October 31, 2017	10,436
Add: Purchase of cannabis seeds	-
Add: Purchased mothers & clones	-
Add: Purchased cannabis plants	460,097
Change in fair value less costs to sell due to biological transformation	467,796
Transferred to inventory upon harvest	(416,981)
Balance - July 31, 2018	$ 521,348

6. Biological Assets (continued)

When determining the fair value of biological assets, the Company makes estimates and uses assumptions as follows:

- Expected costs required to grow the cannabis up to the point of harvest
- Expected costs associated with harvesting and selling
- Expected yield from the cannabis plants and selling price.

The estimates and assumptions used are subject to volatility in uncontrollable market conditions, may significantly impact the fair value of biological assets. Biological assets represent a level 3 assets in the fair value hierarchy.

7. Inventory

As at July 31, 2018, the Company's inventory consists of 265 kg (October 31, 2017 - 609 kg) of harvested cannabis.

Balance - October 31, 2017	$ 1,342,597
Balance - July 31, 2018	$ 1,383,446

The cost of inventories included as an expense and included in cost of goods sold, excluding amortization expense was $1,660,187 (2017 - $11,475).

8. Property and Equipment

	Furniture and Fixtures	Computer and Office Equipment	Production Equipment and Other	Construction in Progress - Warehouse	Leasehold Improvements	Total
Cost						
Balance - October 31, 2016	$ -	$ -	$ -	$ -	$ -	$ -
Additions	750	2,230	169,403	536,008	326,731	1,035,122
Balance - October 31, 2017	750	2,230	169,403	536,008	326,731	1,035,122
Additions	-	30,753	185,766	684,846	725,934	1,627,299
Disposals	(750)	-	(12,115)	(716,444)	-	(729,309)
Balance - July 31, 2018	$ -	$ 32,983	$ 343,054	$ 504,410	$ 1,052,665	$ 1,933,112
Accumulated Amortization						
Balance - October 31, 2016	$ -	$ -	$ -	$ -	$ -	$ -
Amortization for the year	6	145	13,133	-	32,642	45,926
Balance - October 31, 2017	6	145	13,133	-	32,642	45,926
Amortization for the period	-	1,171	44,861	-	277,109	323,141
Disposals	(6)	-	(3,005)	-	-	(3,011)
Balance - July 31, 2018	$ -	$ 1,316	$ 54,989	$ -	$ 309,751	$ 366,056
Net Book Value						
As at October 31, 2017	$ 744	$ 2,085	$ 156,270	$ 536,008	$ 294,089	$ 989,196
As at July 31, 2018	$ -	$ 31,667	$ 288,065	$ 504,410	$ 742,914	$ 1,567,056

9. Intangible Assets

The Company's intangible asset included amounts charged to develop the Company's website and brand positioning. The Company determined the useful lives of the assets to be 2 and 3 years, respectively. Amortization is calculated on a straight-line basis over the respective useful lives.

	Website	Branding	Total
Cost			
Balance - October 31, 2016	$ -	$ -	$ -
Additions	29,405	9,968	39,373
Balance - October 31, 2017	29,405	9,968	39,373
Additions	41,970	-	41,970
Balance - July 31, 2018	$ 71,375	$ 9,968	$ 81,343
Accumulated Amortization			
Balance - October 31, 2016	$ -	$ -	$ -
Additions	-	-	-
Balance - October 31, 2017	-	-	-
Amortization for the period	9,881	1,648	11,529
Balance - July 31, 2018	$ 9,881	$ 1,648	$ 11,529
Net Book Value			
As at October 31, 2017	$ 29,405	$ 9,968	$ 39,373
As at July 31, 2018	$ 61,494	$ 8,320	$ 69,814

10. Finance lease liabilities

The Company entered into two thirty-six month leases for growing equipment, which has been classified as a finance lease.

Effective November 8, 2017, the Company entered into an agreement with a third party to lease equipment at a cost $158,193 over a thirty-six month period for monthly payments of $5,630. The terms and conditions of the lease predicate that substantially all of the risks and rewards of ownership of the leased asset transfer to the Company. Therefore, the Company will classify the agreement as a finance lease.

As at July 31, 2018, the related lease liabilities are payable as follow:

	Future minimum lease payments	Interest	Total
Less than one year	$ 95,071	$ 29,813	$ 124,884
Between one and five years	124,041	12,952	136,993
	$ 219,112	$ 42,765	$ 261,877

As at July 31, 2018, the net book value of the growing equipment under finance lease is $239,607.

11. Long-term Debt

Transactions related to the Company's unsecured promissory notes during the period ended July 31, 2018, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2017	$ 552,173	$ 552,173	$ 14,860
Amortization of deferred financing costs	642	642	-
Settled in exchange for convertible promissory note (note)	(500,000)	(500,000)	(10,416)
Interest expense on long-term debt	-	-	4,500
Debt repayments	(2,815)	(2,815)	-
Balance -July 31, 2018	50,000	50,000	8,944
Less: current portion	-	-	8,944
Balance - July 31, 2018 net of current portion	$ 50,000	$ 50,000	$ -

Transactions related to the Company's unsecured promissory notes during the period ended October 31, 2017, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2016	$ -	$ -	$ -
12% - February 1, 2017 (i)	50,000	50,000	4,444
25% - October 1, 2017 (iii)	500,000	500,000	10,416
Other	2,815	2,815	-
	552,815	552,815	14,860
Deferred financing costs	(1,170)	(1,170)	-
Amortization of deferred financing costs	528	528	-
Interest expense on long-term debt	-	-	14,860
Balance - October 31, 2017	552,173	552,173	14,860
Less: current portion	502,173	502,173	14,860
Balance - October 31, 2017, net of current portion	$ 50,000	$ 50,000	$ -

11. Long-term Debt (continued)

i) On February 1, 2017: Principal of $50,000 with simple interest accrued at a rate of 12% per annum. Interest only payments due on the following: (i) $6,000 on each of July 1, 2018 and July 1, 2019 and interest and principal payment, $56,000 due on July 1, 2020. As at July 31, 2018, accrued interest of $8,944 was incurred.

ii) On October 1, 2017: Principal of $500,000 with simple interest accrued at a rate of 25% per annum. During the period ended July 31, 2018, this Company formalized this debt by way of a convertible promissory note (see note 12 (iii)).

12. Convertible Promissory Notes

Transactions related to the Company's convertible promissory notes during the period ended July 31, 2018, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2017	$ 1,518,391	$ 1,394,582	$ 140,118
50% - November 7, 2017 (i)	300,000	300,000	9,418
50% - November 14, 2017 (ii)	190,000	190,000	43,726
50% - November 14, 2017 (ii)	125,000	125,000	28,767
50% - November 14, 2017 (ii)	90,000	90,000	20,712
50% - November 14, 2017 (ii)	25,000	25,000	5,753
50% - November 14, 2017 (ii)	70,000	70,000	16,110
50% - November 14, 2017 (ii)	25,000	25,000	5,753
50% - November 14, 2017 (ii)	25,000	25,000	5,753
25% -December 15, 2017 (iii)	1,000,000	1,000,000	121,181
	3,368,391	3,244,582	397,291
Deferred financing costs	(50,216)	(50,216)	-
Amortization of deferred financing costs	50,103	50,103	-
Interest expense on long-term debt	-	-	447,647
Fair value of conversion option	-	(95,000)	-
Interest accretion	-	109,990	-
Repaid	(50,000)	(50,000)	(95,833)
Converted to common units	(1,237,775)	(1,199,457)	(294,330)
Balance - July 31, 2018	2,080,503	2,010,002	454,775
Less: current portion	900,000	896,073	454,775
Balance - net of current portion	$ 1,180,503	$ 1,113,929	$ -

12. Convertible Promissory Notes (continued)

Transactions related to the Company's convertible promissory notes during the period ended October 31, 2017, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2016	$ -	$ -	$ -
15% - February 1, 2017 (iv)	100,000	100,000	11,209
15% - February 1, 2017 (v)	100,000	100,000	11,209
25% - June 1, 2017 (vi)	637,775	637,775	65,816
50% - July 26, 2017 (vii)	100,000	100,000	13,185
50% - July 26, 2017 (viii)	100,000	100,000	13,185
50% - July 26, 2017 (ix)	100,000	100,000	13,185
50% - October 1, 2017 (x)	250,000	250,000	10,274
50% - October 20, 2017 (xi)	100,000	100,000	1,507
50% - October 23, 2017 (xii)	50,000	50,000	548
	1,537,775	1,537,775	140,118
Deferred financing costs	(20,008)	(20,008)	-
Amortization of deferred financing costs	624	624	-
Interest expense on long-term debt	-	-	140,118
Fair value of conversion option	-	(157,000)	-
Interest accretion	-	33,191	-
Balance - October 31, 2017	1,518,391	1,394,582	140,118
Less: current portion	640,065	640,065	-
Balance - net of current portion	$ 878,326	$ 754,517	$ -

During the period ended July 31, 2018, the Company issued the following unsecured convertible promissory notes:

i) Effective November 7, 2017, the Company entered into an agreement with the Company's Marketing Consultant (the "Consultant") whereby the Consultant purchased a convertible promissory note for the total principal of $300,000 with simple interest accrued at a rate of 50%. Accrued interest shall be paid in monthly installments of $12,500 until maturity. A balloon interest payment of $15,000 was due to the Consultant on day 180 and has been accrued as of July 31, 2018. The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) 12 months from the effective date of the note; or (b) the occurrence of a change of control of the Company. The note does not have a prepayment option under the agreement, unless agreed to in writing by the purchaser.

12. Convertible Promissory Notes (continued)

i) (continued)

At any time prior to the maturity of the agreement, the Consultant has the right to convert all (but not less than all) of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common units of the Company at a price per unit equal to the applicable conversion price calculated immediately before the closing of a going public event or qualified transaction.

The conversion price represents an amount equal to the applicable conversion valuation divided by the number of units outstanding at the time of conversion. The Conversion valuation represents the following a) $15,000,000 if the holder converts the note within 6 months of the effective date of the note and b) $18,000,000 if the holder converts the note after 6 months of the effective date of the note, but prior to the note's maturity. As at July 31, 2018, accrued interest of $34,726 was incurred.

ii) Effective November 14, 2017, the Company entered into an agreement with certain purchasers (collectively the "Purchasers" and individually the "Purchaser"), to issue a series of notes with substantially similar terms, including maturity, interest rates, and conversion terms. Under the agreements, the Purchasers purchased convertible promissory notes with aggregate principal of $550,000. The notes accrue simple interest as follows:

a) Interest will accrue on the outstanding principal at an annual rate of 50% calculated on the basis of a year of 365 days.

b) Should the Purchasers extend the maturity date due to a public event prior to the end of the period, the Purchaser has the right to extend the Maturity date by up to 3 months after the consummation of the public event at an annual rate of 0% following the initial period.

c) Should purchasers extend the Maturity Date by 6 months on all but not less than all of the then-outstanding principal; provided, however the Company shall pay Holder all principal not so extended, and all accrued but unpaid interest at the end of the initial period at an annual rate of 30% calculated on the basis of a year of 365 days.

d) Should the Purchaser extend the maturity date of this note by 18 months on not less than $10,000 of the then-outstanding principal and unpaid interest accrued under the Note at the end of the initial period; provided, however the Company shall pay Purchaser all principal and/or interest for which the maturity date is not so extended at an annual rate of 20% calculated on the basis of a year of 365 days.

The notes, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) the date on which the initial period ends (the Maturity Date) unless the Maturity Date is extended by Purchaser by 3, 6, or 18 months after the Public Event. The notes may not be prepaid, in whole or in part, prior to the Maturity Date without the prior written consent of a majority in interest of a Purchaser.

12. Convertible Promissory Notes (continued)

ii) (continued)

If at any time prior to the maturity of the notes and qualified equity financing occurs, the Purchaser has the right to convert not less than $10,000 of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of the Company at a price per unit equal to the applicable conversion price. If the Purchaser has extended the maturity date and the qualified equity financing occurs during the 18 months following the initial period, the Purchaser shall have the obligation to convert all of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership until of the Company at a price per unit equal to the applicable conversion price. The conversion price represents the following:

a) In the event of a qualified equity financing, the lower of (i) the valuation cap divided by issued and outstanding share count immediately prior to the qualified equity financing, or (ii) eighty percent (80%) of the price per unit paid in cash by purchasers of New Units issued in such qualified equity financing; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the initial period, up to a maximum of ten percent (10%) (e.g., if such an event of default continues for five months, the conversion price under this paragraph (a) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above); or

b) In the event of a public event the lower of (i) the valuation cap divided by the issued and outstanding share count immediately prior to the public event, or (ii) eighty percent (80%) of the price per unit paid in cash by purchasers of new units issued in such Public Event; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the Initial Period, up to a maximum of ten percent (10%) (*e.g.*, if such an event of default continues for five months, the conversion Price under this paragraph (b) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above); or

c) In the event of a change of control transaction, the lower of (i) the valuation cap divided by the change of control issued and outstanding share count immediately prior to the qualified equity financing, or (ii) eighty percent (80%) of the price per unit paid by the purchaser(s) in such change of control transaction; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the initial period, up to a maximum of ten percent (10%) (*e.g.*, if such an event of default continues for five months, the conversion price under this paragraph (c) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above); provided, further, that if a transaction or event can be characterized both as a public event and as a change of control transaction, the conversion price shall be established as if such transaction or event were a change of control transaction; or

12. Convertible Promissory Notes (continued)

ii) (continued)

d) In the event of a nonqualified equity financing, the lower of (i) the valuation cap divided by Issued and outstanding share count immediately prior to the nonqualified equity financing, or (ii) eighty percent (80%) of the price per unit paid in cash by purchasers of new units issued in such nonqualified equity financing; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the initial period, up to a maximum of ten percent (10%) (e.g., if such an event of default continues for five months, the conversion price under this paragraph (a) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above). As at July 31, 2018, accrued interest of $171,780 was incurred.

iii) Effective December 15, 2017, the Company entered into an agreement whereby the holder purchased a convertible promissory note for the total principal of $1,000,000 with simple interest accrued at a rate of 25%, payable as follows:

a) As at July 31, 2018 interest accrued to $105,556 on the sum of $500,000, of debt previously held by the holder.

b) Interest shall accrue from the effective date of the note on the total sum of $1,000,000 and paid in monthly installments of $20,833.33 to the holder beginning on January 15, 2018. As at July 31, 2018 none of the monthly instalments had been paid.

c) A one-time additional interest payment equal to 5% of the unpaid principal balance payable concurrent with the 12th scheduled monthly installment payment is otherwise due. In the event the holder completed a full or partial conversion within 12 months of the effective date, the one-time interest payment shall be pro-rated as at the date of the full or partial conversion.

The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) 36 months from the effective date of the note; or (b) the occurrence of a change of control of the Company. Within the first 24 months from the effective date of the note, no prepayment will occur, except for payments of accrued interest or other payments as outlined above.

At any time prior to the 24 month anniversary of the effective date of the note, the holder has the right to fully or partially convert the outstanding principal and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of the Company at a price per unit equal to the applicable conversion price. The Conversion price represents an amount equal to the applicable conversion valuation divided by the number of issued and outstanding units of the Company at the time of conversion calculated immediately before the closing of a qualified equity financing event if the conversion is in conjunction with a qualified equity financing event.

12. Convertible Promissory Notes (continued)

iii) (continued)

If the Company consummates a going public event within the 12 months anniversary date of the note, the holder has the right to fully or partially convert the total principal outstanding at a price per unit equal to the applicable conversion price by providing written notice to the Company of its election to convert within 7 days after receipt from the Company of the financing notice. If the holder so converts, the Company will offer the holder a position as a strategic advisor to the Company for a 12 month term, which commences on the date of conversion. The holder will receive gross monthly compensation equal to $10,000 if the holder fully converts or a portion of the $10,000 equal to the ratio of the amount converted.

The conversion valuation represents the following a) $20,000,000 if the holder converts the note within 12 months of the effective date of the note and b) $40,000,000 if the holder converts the note after 12 months of the effective date of the note, but before 24 months of the effective date of the note. As at July 31, 2018, accrued interest of $185,069 was incurred.

During the period ended October 31, 2017, the Company issued the following unsecured convertible promissory notes:

iv) Effective February 1, 2017: Principal of $100,000 with simple interest accrued at a rate of 15%. Principal and interest due and payable on the three year anniversary of the promissory note, February 1, 2020. In the event the Company completes a qualified equity financing transaction on or before the maturity date of the promissory note, the holder has the right to convert in whole or in part the unpaid principal and interest balance into fully paid non-assessable shares of common stock of the Company. The conversion price per unit will equal 80% of the price per unit paid in cash by purchasers of new units in a qualified equity transaction. As at July 31, 2018, accrued interest of $22,438 was incurred.

v) Effective February 1, 2017: Principal of $100,000 with simple interest accrued at a rate of 15%. Principal and interest due and payable on the three year anniversary of the promissory note, February 1, 2020. In the event the Company completes a qualified equity financing transaction on or before the maturity date of the promissory note, the holder has the right to convert in whole or in part the unpaid principal and interest balance into fully paid non-assessable shares of common stock of the Company. The conversion price per unit will equal 80% of the price per unit paid in cash by purchasers of new units in a qualified equity transaction. As at July 31, 2018, accrued interest of $22,438 was incurred. On June 15, 2018, the principle of $100,000 and unpaid interest of $20,465 were converted into 115 common units of the Company as described in note 13(xvii).

12. Convertible Promissory Notes (continued)

vi) Effective June 1, 2017: the Company entered into an agreement with its President and CEO and the President and CEO's spouse (the "Holder"), whereby the Holder purchased a convertible non-negotiable promissory note for total principal of $637,775 with simple interest calculated at a rate of 25% per annum. The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) 36 months from the effective date of the note; or (b) the occurrence of a change of control of the Company. A balloon interest payment of $30,000 was due to the Holder on June 1, 2018. On June 1, 2018, the principle of $637,775 and unpaid interest of $146,157 (which included the $30,000 balloon interest payment) were converted into 922.70 common units of the Company as described in note 13(xv).

In the event the Company completes a qualified equity financing transaction on or before the maturity date of the promissory note, the holder has the right to convert in whole or in part the unpaid principal and interest balance into fully paid non-assessable shares of common stock of the Company at a price per unit equal to the applicable conversion price calculated immediately before the closing of a going public event or qualified transaction. At any time prior to the maturity of the agreement, the Holder has the right to convert a portion of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of the Company.

The conversion price represents an amount equal to the applicable conversion valuation divided by the number of units outstanding at the time of conversion. The Conversion valuation represents the following a) $10,000,000 if the holder converts the note within 12 months of the effective date of the note and b) $15,000,000 if the holder converts the note after 12 months of the effective date of the note, but prior to the note's maturity. As at July 31, 2018, accrued interest of $186,091 was incurred.

vii) Effective July 26, 2017, the Company through its wholly owned subsidiary GRU Properties, LLC entered into an agreement whereby the holder purchased a convertible promissory note for the total principal of $100,000 with simple interest calculated at a rate of 50% per annum for the first 6 months. The note became due on February 1, 2018 and was extendable for another 6 months at the holder's option. If the holder extends the term an additional 6 months the rate of simple interest will change to 30%, such that at the end of the 12 month period, the total outstanding principal and interest amount would not exceed $140,000.

The holder of the convertible promissory note has the unrestricted right, at the holder's option to convert a maximum of $125,000 of the outstanding balances into common units of the Company at a price per unit agreed upon by the Company and the holder, or if a conversion price per unit cannot be agreed upon, the price per unit will be determined by appraisal. The right to convert may be exercised after the extended maturity date of the convertible promissory note. The number of common shares into which the convertible promissory notes may or will be converted shall be determined by dividing the unpaid principal balance, together with all accrued and unpaid interest thereon, by the conversion price. On January 31, 2018, $50,000 of the outstanding principal was repaid and the remaining principal of $50,000 was extended to August 1, 2018. In addition, $25,000 of accrued and unpaid interest was converted into common units of the Company as described in note 13(x)(iii). On August 1, 2018, the holder of the convertible promissory note extended the maturity date to August 1, 2019, with interest at 12.5% per annum, payable monthly.

12. Convertible Promissory Notes (continued)

viii) Effective July 26, 2017, the Company through its wholly owned subsidiary GRU Properties, LLC entered into an agreement whereby the holder purchased a convertible promissory note for the total principal of $100,000 with simple interest calculated at a rate of 50% per annum for the first 6 months. The note became due on February 1, 2018 and was extendable for another 6 months at the holder's option. If the holder extends the term an additional 6 months the rate of simple interest will change to 30%, such that at the end of the 12 month period, the total outstanding principal and interest amount would not exceed $140,000.

The holder of the convertible promissory note has the unrestricted right, at the holder's option to convert a maximum of $125,000 of the outstanding balances into common units of the Company at a price per unit agreed upon by the Company and the holder, or if a conversion price per unit cannot be agreed upon, the price per unit will be determined by appraisal. The right to convert may be exercised after the extended maturity date of the convertible promissory note. The number of common shares into which the convertible promissory notes may or will be converted shall be determined by dividing the unpaid principal balance, together with all accrued and unpaid interest thereon, by the conversion price. On January 31, 2018, the principle of $100,000 and unpaid interest of $25,000 were converted into 89.8 common units of the Company as described in note 13(x)(iii).

ix) Effective July 26, 2017: Principal of $100,000 with simple interest calculated at a rate of 50% per annum for the first 6 months. The note becomes due and payable on the earlier of a) February 1, 2018 unless extended for another 6 months at the holder's option and b) the occurrence of a change of control of the Company. At the maturity date, the holder has the right to either a) convert the total unpaid principal and accrued interest balance into other convertible notes then being offered or b) extend the original term of the note for an additional 6-month period. If the holder extends the term an additional 6-months the rate of simple interest will change to 30% per annum. Effective January 31, 2018, the principal and unpaid interest of $25,000 were converted into 74.8 common units of the Company

x) Effective October 1, 2017: the Company entered into an agreement with its President and CEO and the President and CEO's spouse (the "Holder"), whereby the Holder purchased two convertible non-negotiable promissory note for total principal of $250,000 with simple interest calculated at a rate of 50% per annum. The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) 12 months from the effective date of the note; or (b) the occurrence of a change of control of the Company. A balloon interest payment of $15,000 is due to the Holder on day 180. The note does not have a prepayment option under the agreement, unless agreed to in writing by the Holder. Effective March 31, 2018, the principal and unpaid interest of $46,250 were converted into 332.4 common units of the Company.

At any time prior to the maturity of the agreement, the Holder had the right to convert a portion of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of the Company at a price per unit equal to the applicable conversion price calculated immediately before the closing of a going public event or qualified transaction.

12. Convertible Promissory Notes (continued)

x) (continued)

The conversion price represents an amount equal to the applicable conversion valuation divided by the number of units outstanding at the time of conversion. The Conversion valuation represents the following a) $10,000,000 if the holder converts the note within 6 months of the effective date of the note and b) $15,000,000 if the holder converts the note after 6 months of the effective date of the note, but prior to the note's maturity.

xi) Effective October 20, 2017, Principal of $100,000 with simple interest accrued at a rate of 50% per annum. All unpaid principal and accrued interest become due and payable on the earlier of a) the 6 month anniversary of the note, unless extended at the sole discretion of the holder and b) the occurance of a change in control of the Company. At the Maturity date, the holder has the right to either a) convert the total unpaid principal and accrued interest into other convertible notes then being offered by the Company or b) extend the maturity of the note by 6 months. Should the holder extend the note, interest will accrue on the original principal at a rate of 30% per annum. As of the maturity date, October 20, 2017, the maturity date was extended by 6 months and fully matured on April 20, 2018. On April 20, 2018, the maturity was extended by 6 months to October 20, 2018 with interest accrued at a rate of 30% during the extension period. The maturity date was then extended further to November 8, 2018.

xii) On October 23, 2017, Principal of $50,000 with simple interest accrued at a rate of 50% per annum. All unpaid principal and accrued interest become due and payable on the earlier of a) the 6 month anniversary of the note, unless extended at the sole discretion of the holder and b) the occurance of a change in control of the Company. At the Maturity date, the holder has the right to either a) convert the total unpaid principal and accrued interest into other convertible notes then being offered by the Company or b) extend the maturity of the note by 6 months. Should the holder extend the note, interest will accrue on the original principal at a rate of 30% per annum. On January 26, 2018, the holder converted the original principal amount and accrued and unpaid interest of $6,458 into 34 uncertified common units of the Company.

13. Members' Capital

The Company is authorized to issue up to 20,000 common units, up to 750 Seed Round Preferred Units and up to 3,000 Incentive Units.

The following table summarizes the unit activities for the periods ended July 31, 2018 and October 31, 2017:

	Number of Common Units	Number of Incentive Units	Number of Seed Round Preferred Units	Member's Capital
Balance, October 31, 2016 (date of inception)	-	-	-	$ -
Issued for cash proceeds (i)	7,000	-	-	100
Balance, October 31, 2017 (i)	7,000	-	-	100
Issued pursuant to conversion of promissory notes	1,569	-	-	1,604,787
Issued for cash proceeds	191	-	733	1,525,345
Issued as employee compensation	-	300	-	-
Issued to service providers	1,500	-	-	1,049,595
Issuance costs	-	-	-	(25,401)
Balance, July 31, 2018	10,260	300	733	$4,154,426

i) During the period ended October 31, 2017, the Company issued 7,000 common units to the Company's CEO and President for proceeds of $100.

ii) On November 27, 2017, the Company issued 300 Incentive Units to an employee of the Company.

iii) Effective December 11, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 253 Units for total proceeds of $448,581. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The Conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

iv) Effective December 11, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 56 Units for a total purchase price of $99,291. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The Conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

13. Members' Capital (continued)

v) Effective December 11, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 139 Units for a total purchase price of $246,454. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The Conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

vi) Effective December 15, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 3 Units for a total purchase price of $5,319. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

vii) Effective January 5, 2018, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 170 Units for a total purchase price of $301,418. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

viii) Effective January 26, 2018, the holder of a convertible promissory note converted the original principal amount of $50,000 and all accrued and unpaid interest of $6,458 into 34 uncertified common units of the Company.

ix) Effective January 31, 2018, the holder of a note payable assigned 100% principal and accrued and unpaid interest to a limited liability company (the "Entity"), which is wholly owned by the holder. Through the execution of the assignment agreement, the terms within, the Entity converted the original principal amount of $100,000 and all accrued and unpaid interest of $25,000 into 74.8 uncertified common units of the Company.

13. Members' Capital (continued)

x) Effective January 31, 2018, the holder of two convertible promissory notes in the original principal amount of $100,000 took the following actions:

(i) Received a return of principal of $50,000 from one of the convertible promissory notes.

(ii) Extended the maturity date of the continuing covertible promissory not for the principal amount of $50,000 to August 1, 2018 with a coupon interest rate of 30% per annum. All principal and accrued and unpaid interest, shall become due on the earlier of a) August 1, 2018 or b) the occurance of a change of control of the Company; and

(iii) Converted the original principal of the second convertible promissory note and accrued and unpaid interest of $50,000 into 89.8 uncertified common units of the Company.

xi) Effective February 9, 2018, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 750 Seed Round Preferred Units (the “Units”) at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 56 Units for a total purchase price of $99,291. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

xii) Effective February 9, 2018, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 750 Seed Round Preferred Units (the “Units”) at a purchase price of $1,773.05 per Unit. Under the Agreement the Company issued 56 Units for a total purchase price of $99,291. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

xiii) Effective March 1, 2018, the Company issued 750 common units to the Company's CFO/ general counsel and 750 common units to the Company's marketing consultant. The fair value of these units was estimated to be $1,049,595 and has been expensed as unit-based compensation expense.

xiv) Effective March 31, 2018, the holder of a convertible promissory note converted the original principal amount of $250,000 and all accrued and unpaid interest of $46,250 into 332.4 uncertified common units of the Company.

xv) Effective June 1, 2018, the holder of a convertible promissory note converted the original principal amount of $637,775 and all accrued and unpaid interest of $146,157 into 922.70 uncertified common units of the Company.

13. Members' Capital (continued)

xvi) Between June 13, 2018 and June 15, 2018, the Company issued 190.8 common units of the Company for proceeds of $225,000.

xvii) Effective June 15, 2018, the holder of a convertible promissory note converted the original principal amount of $100,000 and all accrued and unpaid interest of $20,465 into 115 uncertified common units of the Company.

14. Unit Purchase Option

During the period ended July 31, 2018, the Company granted an option to purchase 2,727,250 common units of the Company for an aggregate amount of CAD$54,545 at any point prior to December 31, 2018. The exercise of the option is contingent upon the optionee having invested a minimum of CAD$1,050,000 of cash in securities of another party. As at July 31, 2018, this minimum investment had been completed.

The fair value of the option of $871,230 has been expensed as a finance charge expense and was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil%
Risk-free interest rate	1.710%
Expected life	5.5 months
Expected volatility	99%*

* Based on the volatility of comparable publicly traded companies

15. Related Party Transactions

During the period ended July 31, 2018, the Company incurred the following related party transactions:

i) Through its wholly owned subsidiary, GRU Properties, LLC leased 41.92 acres of real property located in Trail, Oregon owned by the Company's President and CEO. The lease expires on December 31, 2020. Rent of $48,500 was included in facility expense for the period ended July 31, 2018 (2017 - $35,000). The Company had $11,000 (October 31, 2017 - $45,000) owing in accounts payable and accrued liabilities at July 31, 2018.

ii) The Company incurred employee/director fees of $36,000 (2017 - $10,000) with an individual related to the Company's President and CEO. At July 31, 2018, due to employee/ director includes $14,000 (October 31, 2017 - $14,000) and accounts payable and accrued liabilities includes $8,000 (October 31, 2017 - $Nil) payable to this individual.

iii) The Company incurred fees related to marketing and promotion services of $184,970 (2017 - $34,404) from two companies owned by the Company's Chief Strategy Officer ("CSO"). At July 31, 2018, accounts payable and accrued liabilities includes $5,443 (October 31, 2017 - $4,362) payable to these companies.

15. Related Party Transactions (continued)

iv) The Company incurred fees related to computer services of $Nil (2017 - $9,060) from a company owned by an individual related to the Company's President and CEO. As at July 31, 2018, accounts payable and accrued liabilities includes $Nil (October 31, 2017 - $Nil) payable to this company.

v) Key management personnel consists of the President and CEO; Executive Vice President, CFO/General Counsel; and the CSO. The compensation paid or payable to key management for services for the periods ended July 31, 2018 and 2017 is as follows:

	July 31, 2018	July 31, 2017
Salaries and consulting fees	$ 364,970	$ 132,404
Unit-based compensation	$ 1,049,565	$ -

Accounts payable and accrued liabilities at July 31, 2018 includes $45,442 (October 31, 2017 - $14,362) and due to employee/ director includes $90,000 (October 31, 2017 - $90,000) payable to these parties.

The transactions are in the normal course of operations and are measured at the exchange amounts being the amounts agreed to by the parties.

16. Financial Instruments

i) Market Risk

a) Currency Risk

As at July 31, 2018, no financial assets and liabilities were denominated in a foreign currency.

b) Interest Rate Risk

At July 31, 2018 and 2017, the Company's exposure to interest rate risk relates to long-term debt, convertible promissory notes, and finance lease obligations, but its interest rate risk is limited as the aforementioned financial instruments are fixed interest rate instruments.

c) Credit Risk

Credit risk is derived from cash and trade accounts receivable. The Company places its cash in deposit with major United States financial institutions. The Company has established a policy to mitigate the risk of loss related to granting customer credit.

The carrying amount of cash and trade accounts receivable represents the Company's maximum exposure to credit risk, which amounted to $431,276 (October 31, 2017 - $484,949) as at July 31, 2018. The allowance for doubtful accounts at July 31, 2018 is $21,432 (October 31, 2017 - $Nil)

16. Financial Instruments (continued)

i) Market Risk (continued)

c) Credit Risk (continued)

As at July 31, 2018, the Company's trade accounts receivable were aged as follows:

	July 31, 2018	October 31, 2017
Current	$ 194,033	$ 10,400
1-30 days	59,491	9,700
31 days- 60 days	29,538	11,650
61 days-older	47,529	-
	$ 330,591	$ 31,750

d) Liquidity Risk

Liquidity risk represents the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. At July 31, 2018, the Company has current assets of $2,460,275 and current liabilities of $3,236,912, which resulted in a working capital deficit of $776,637.

The contractual maturities of the Company's accounts payable and accrued liabilities, convertible promissory notes, long-term debt, and finance lease payable occurs over the next three years as follows:

	Year 1	Years 2 - 3
Accounts payable and accrued liabilities	$ 1,678,049	$ -
Convertible promissory notes	896,073	1,113,929
Long-term debt	-	50,000
Due to employee/officer	104,000	-
Interest payable	463,719	-
Deferred rent	-	34,069
Finance lease	95,071	124,041
Derivative liabilities	-	129,500
	$ 3,236,912	$ 1,451,539

16. Financial Instruments (continued)

i) Market Risk (continued)

e) Fair Values

The carrying amounts for the Company's cash, accounts receivable, amounts due from a related company, short-term advance to a related party, accounts payable and accrued liabilities, amounts due to employee/director, short-tem advance payable, promissory notes and convertible promissory notes approximate their fair values because of the short-term nature of these items.

f) Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair valued for both financial and non-financial assets and liabilities. The Company has an established framework, which includes team members who have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. The Company regularly assesses significant unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the period ended July 31, 2018 there were no transfers of amounts between levels.

17. Segmented information

The Company's only operating segment is the production and sale of cannabis. All property and equipment and intangible assets are located in the United States. All revenue were generated in the United States during the periods ended July 31, 2018 and 2017.

18. General and Administrative Expenses

General and administrative expenses for the periods ended July 31, 2018 and 2017 are as follows:

	Three Months Ended		Nine Months Ended	
	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017
Legal and professional	$ 93,763	$ 40,380	$ 579,831	$ 142,735
Salaries and benefits	211,794	54,200	531,626	115,177
Equipment purchase and rent	4,822	986	12,904	2,368
Facility expense	52,084	29,100	165,484	60,400
Marketing and promotion	142,364	3,108	234,433	30,642
Travel	50,782	4,203	120,491	21,105
Office expense	7,576	-	27,893	99
Utilities	6,971	1,869	24,892	4,258
Business license and fees	6,006	7,388	18,991	7,827
Repairs and maintenance	62	1,079	4,020	1,079
Reasearch and development	233	-	5,233	-
Insurance	1,645	1,235	6,642	1,235
Bank fees	6,078	1,820	10,763	1,884
Bad debt	23,617	-	28,017	-
Miscellaneous	(12,322)	5,744	30,810	6,547
	$ 595,475	$ 151,112	$ 1,802,030	$ 395,356

19. Capital Disclosures

The Company includes equity, comprised of share capital, contributed surplus (including the fair value of equity instruments to be issued), equity component of convertible promissory notes and deficit, in the definition of capital.

The Company's objectives when managing capital are as follows:

(i) to safeguard the Company's assets and ensure the Company's ability to continue as a going concern;

(ii) to raise sufficient capital to finance the construction of its production facility and obtain license to produce recreational marijuana; and

(iii) to raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives.

The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

The Company does not have any externally imposed capital requirements.

20. Commitments

a) The Company has commitments under operating leases for its facilities and commitments under a finance lease for equipment. The minimum lease payments due are as follows:

Fiscal Year		Amount
2019	$	259,384
2020	$	227,772
2021	$	20,600

b) During the period ended July 31, 2018, the Company entered into a technology license agreement (the "Technology License Agreement") pursuant to which, the Company was granted the exclusive license to certain intellectual property in the field of development, breeding, cultivation, growing, harvesting, processing and commercializing cannabis, hemp and related plants and products (the "Technology") in exchange for 6,600,000 common units of the Company. As of the date if these financial statements, the common units had yet to be issued.

21. Subsequent Events

Subsequent to the period ended July 31, 2018:

a) The Company issued an unsecured promissory note in the principal amount of $50,000.

b) Subsequent to the period ended July 31, 2018, the Company entered subscription agreements pursuant to which the Company issued and sold on a subscription receipt basis, 3,741,023 units (the "GR Units") containing one Common Unit and one purchase warrant (the "GR Warrant") for gross proceeds of CAD$1,646,050 ($1,271,278). Each GR Warrant allows the holder to purchase one Common Unit of the Company at an exercise price of CAD$0.55 per unit for a period of 24 months.

   In connection with the issuance of the GR Units, the Company is required to pay cash commissions of CAD$57,712 ($37,180) to the agents pursuant to an agency agreement dated July 5, 2018, as amended.

c) Subsequent to the period ended July 31, 2018, the Company entered into purchase agreements, pursuant to which the Company issued convertible debentures in the aggregate principal amount of CAD$1,500,000 ($1,158,480) (the "Debentures"). Each Debenture matures 24 months from the date of issuance and bears interest at 2% per annum payable quarterly in arrears on the last day of March, June, September and December of each year. The Debentures are convertible into Common Units of the Company at a price of CAD$0.44 per Common Unit and are secured by a general security agreement granting a security interest in all of the Company's and its subsidiaries property and assets.

   In connection with the issuance of the Debentures, the Company paid cash commissions of CAD$105,000 ($81,904) to the agents pursuant to an agency agreement dated July 8, 2018, as amended.

d) Subsequent to the period ended July 31, 2018, the Company cancelled the unit purchase option disclosed in note 14.

e) Subsequent to the period ended July 31, 2018, the Company completed a financing for aggregate proceeds of CAD$649,351, pursuant to which it issued 1,475,979 common units and warrants to purchase a further 1,675,979 common units. Each warrant shall be exercisable period of two years following the date of option exercise ("the Expiration Date"); provided, however, that the expiration date shall be automatically extended for an additional three years (the "Extended Period") if, during the initial two-year term the Company does not raise at least $18,000,000 in additional equity capital at an effective price per common unit at or above $0.70 (a "Qualified Offering"); and provided further, that the Company has the right, only during the Extended Period, if any, and only following the exercise of the Option, to accelerate the expiration date to forty-five days following written notice to the holder if during the Extended Period the Company closes a Qualified Offering.

Appendix "D"

Unaudited Pro-Forma Consolidated Statement of Financial Position

Grown Rogue International Inc.

(Formerly Novicius Corp.)

As at July 31, 2018

(Expressed in United States Dollars)

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Grown Rogue International Inc.

(Formerly Novicius Corp.)

Unaudited Pro-Forma Consolidated Statement of Financial Position as at July 31, 2018

	Grown Rogue International Inc. May 31, 2018	Grown Rogue Unlimited, LLC July 31, 2018	Pro-Forma Adjustments	Note	Pro-Forma Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 4,179	$ 100,685	$ 50,000	2(b)	
			1,264,539	2(g)	
			(44,256)	2(g)	
			1,152,340	2(h)	
			(80,664)	2(h)	
			2,093,665	2(j)	
			(135,477)	2(j)	
			341	2(k)	
			498,848	2(m)	
			(483,311)	2(n)	$ 4,420,889
Accounts receivable	-	330,591	-		330,591
Other receivables	6,691	4,804	-		11,495
Biological assets	-	521,348	-		521,348
Inventory	-	1,383,446	-		1,383,446
Prepaid expenses and deposits	-	119,401	-		119,401
	10,870	2,460,275	4,316,025		6,787,170
Intangible Assets	-	69,814	-		69,814
Property, Plant and Equipment	-	1,567,056	-		1,567,056
Deferred Transaction Costs	-	316,689	(316,689)	2(n)	-
Licenses	-	-	2,230,929	2(f)	2,230,929
Total Assets	$ 10,870	$ 4,413,834	$ 6,230,265		$ 10,654,969

Grown Rogue International Inc.

(Formerly Novicius Corp.)

Unaudited Pro-Forma Consolidated Statement of Financial Position as at July 31, 2018

	Grown Rogue International Inc. May 31, 2018	Grown Rogue Unlimited, LLC July 31, 2018	Pro-Forma Adjustments	Note	Pro-Forma Consolidated
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	$ 491,105	$ 1,678,049	$ (253,137)	2 (l)	$ 1,916,017
Finance lease payable	-	95,071	-		95,071
Convertible promissory notes	-	896,073	(296,073)	2(e)	600,000
Due to shareholders	57,383	104,000	-		161,383
Interest payable	-	463,719	(185,069)	2(c)	
			(22,438)	2(d)	
			(34,726)	2(e)	221,486
	548,488	3,236,912	(791,443)		2,993,957
Finance Lease Payable	-	124,041	-		124,041
Long-Term Debt	-	50,000	-		50,000
Convertible Promissory Notes	-	1,113,929	(935,056)	2(c)	
			(100,000)	2(d)	78,873
Convertible Debentures	-	-	854,914	2(h)	
			(59,844)	2(h)	
			(28,422)	2(h)	766,648
Derivative Liabilities	-	129,500	(75,000)	2(c)	
			(10,000)	2(e)	44,500
Deferred Rent	-	34,069	-		34,069
Deferred Income Tax Liability	-	-	78,818	2(h)	78,818
Total Liabilities	$ 548,488	$ 4,688,451	$ (1,066,033)		$ 4,170,906

Grown Rogue International Inc.

(Formerly Novicius Corp.)

Unaudited Pro-Forma Consolidated Statement of Financial Position as at July 31, 2018

	Grown Rogue International Inc. May 31, 2018	Grown Rogue Unlimited, LLC July 31, 2018	Pro-Forma Adjustments	Note	Pro-Forma Consolidated
Equity					
Issued Capital	$ 18,169,723	$ -	$ (18,169,723)	2(i)	
			1,275,581	2(i)	
			9,299,771	2(i)	
			1,500,777	2(j)	
			(97,113)	2(j)	
			(46,122)	2(j)	
			181,453	2(l)	$ 12,114,347
Members' Capital	-	4,154,426	50,000	2(b)	
			1,195,125	2(c)	
			122,438	2(d)	
			340,799	2(e)	
			2,230,929	2(f)	
			906,445	2(g)	
			(31,725)	2(g)	
			(15,068)	2(g)	
			(9,299,771)	2(i)	
			346,402	2(m)	$ -
Share Purchase Warrants	576,067	-	358,094	2(g)	
			(12,531)	2(g)	
			21,020	2(g)	
			(5,952)	2(g)	
			38,310	2(h)	
			(576,067)	2(i)	
			592,888	2(j)	
			(38,364)	2(j)	
			(18,221)	2(j)	
			64,343	2(j)	
			341	2(k)	
			71,684	2(l)	
			152,446	2(m)	1,224,058
Contributed Surplus	5,325,462	871,230	(5,325,462)	2(i)	871,230
Equity Component of Convertible Debentures	$ -	$ -	218,608	2(h)	
			(20,820)	2(h)	
			$ (9,888)	2(h)	$ 187,900

	Grown Rogue International Inc. May 31, 2018	Grown Rogue Unlimited, LLC July 31, 2018	Pro-Forma Adjustments	Note	Pro-Forma Consolidated
Equity (continued)					
Deficit	$ (24,608,870)	$ (5,300,273)	$ 24,608,870	2(i)	
			(1,813,199)	2(i)	
			(800,000)	2 (n)	$ (7,913,472)
	(537,618)	(274,617)	7,296,298		6,484,063
Total Liabilities and Equity	$ 10,870	$ 4,413,834	$ 6,230,265		$ 10,654,969

1. Basis of Presentation

The unaudited pro-forma consolidated statement of financial position (the "pro-forma statement of financial position") of Grown Rogue International Inc. ("Novicius"), formerly "Novicius Corp." has been prepared from information derived from the unaudited interim condensed consolidated financial statements of Novicius for the three and nine months ended May 31, 2018, and the unaudited condensed consolidated interim financial statements of Grown Rogue Unlimited, LLC ("Grown Rogue") for the three and nine months ended July 31, 2018, on the basis of the assumptions and adjustments described in note 2.

This pro-forma statement of financial position may not necessarily be indicative of Novicius' future financial position or of the financial position that would have been obtained if the proposed transactions had taken effect on the date indicated. This statement of financial position should be read in conjunction with Novicius' unaudited interim condensed consolidated financial statements of Novicius for the three and nine months ended May 31, 2018, and in conjunction with Grown Rogue's unaudited condensed consolidated interim financial statements for the three and nine months ended July 31, 2018. This pro-forma statement of financial position has been prepared in accordance with International Financial Reporting Standards.

2. Pro-Forma Assumptions

The pro-forma statement of financial position takes into account the transactions and assumptions as described hereafter, as if they had taken place on July 31, 2018.

(a) The unaudited interim condensed consolidated financial statements of Novicius for the three and nine months ended May 31, 2018 of Novicius were prepared in Canadian Dollars ("CAD"). For purposes of preparing this pro-forma consolidated statement of financial position, the accounts of Novicius, and any other transactions denominated in Canadian Dollars, have been translated into United States Dollars at a rate of 1.3017 Canadian Dollars to one United States Dollar. For purposes of preparing this pro-forma consolidated statement of financial position, any potential opening cumulative translation adjustments have not been considered.

(b) Subsequent to the period ended July 31, 2018, Grown Rogue issued an unsecured promissory note in the principal amount of $50,000. Subsequent to July 31, 2018, the promissory note was converted into 198,214 Common Units of Grown Rogue in full satisfaction of the promissory note. For purposes of this pro-forma statement of financial position, the conversion has been recorded as at July 31, 2018.

2. Pro-Forma Assumptions (continued)

(c) During the period ended July 31, 2018, Grown Rogue issued an unsecured convertible promissory note in the principal amount of $1,000,000. Subsequent to July 31, 2018, the promissory note was converted into 4,782,284 Common Units of Grown Rogue in full satisfaction of the promissory note. As at July 31, 2018, convertible promissory notes included $935,056, derivative liabilities included $75,000 and accrued interest included $185,069 with respect to this promissory note. For purposes of this pro-forma statement of financial position, the conversion has been recorded as at July 31, 2018.

(d) During the period ended July 31, 2018, Grown Rogue issued an unsecured convertible promissory note in the principal amount of $100,000. Subsequent to July 31, 2018, the promissory note was converted into 594,643 Common Units of Grown Rogue in full satisfaction of the promissory note. As at July 31, 2018, convertible promissory notes included $100,000 and accrued interest included $22,438 with respect to this promissory note. For purposes of this pro-forma statement of financial position, the conversion has been recorded as at July 31, 2018.

(e) During the period ended July 31, 2018, Grown Rogue issued an unsecured convertible promissory note in the principal amount of $300,000. Subsequent to July 31, 2018, the promissory note was converted into 1,585,714 Common Units of Grown Rogue in full satisfaction of the promissory note. As at July 31, 2018, convertible promissory notes included $296,073, derivative liabilities included $10,000 and accrued interest included $34,726 with respect to this promissory note. For purposes of this pro-forma statement of financial position, the conversion has been recorded as at July 31, 2018.

(f) During the period ended July 31, 2018, Grown Rogue entered into a technology license agreement (the "Technology License Agreement") pursuant to which, Grown Rogue was granted the exclusive license to certain intellectual property in the field of development, breeding, cultivation, growing, harvesting, processing and commercializing cannabis, hemp and related plants and products (the "Technology"). Subsequent to the period ended July 31, 2018, Grown Rogue issued 6,600,000 to the other party which were subsequently distributed to the other party's beneficial owners on a pro-rata basis. The value of the Common Units was estimated at CAD$0.44 per Common Unit for an aggregate exchange amount of $2,230,929.

2. Pro-Forma Assumptions (continued)

(g) Subsequent to the period ended July 31, 2018, and in connection with the Transaction, Grown Rogue entered into an agency agreement, pursuant to which the agent solicited, and Grown Rogue issued and sold on a subscription receipt basis, 3,741,023 units (the "GR Units") containing one Common Unit and one Grown Rogue purchase warrant (the "GR Warrant") for gross proceeds of CAD$1,646,050 ($1,264,539), of which $358,094 was allocated to the GR Warrants. Each GR Warrant allows the holder to purchase one Common Unit of Grown Rogue at an exercise price of CAD$0.55 per unit for a period of 24 months.

The fair value of the GR Warrants of $358,094 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.710%
Expected life	2 years
Expected volatility	100%*

* Based on the volatility of comparable publicly traded companies

In connection with the issuance of the GR Units, Grown Rogue paid cash commissions of $44,256, of which $12,531 was allocated to the GR Warrants. Grown Rogue also issued 130,936 broker warrants (the "GR Broker Warrants") with each GR Broker Warrant entitling the holder to acquire one GR Unit at an exercise price of CAD$0.44 per GR Unit for a period of 24 months. Of the fair value of the GR Broker Warrants of $21,020, $15,068 was allocated to Common Units and $5,952 was allocated to the GR Warrants.

The fair value of the GR Broker Warrants of $21,020 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.710%
Expected life	2 years
Expected volatility	100%*

* Based on the volatility of comparable publicly traded companies

2. Pro-Forma Assumptions (continued)

(h) Subsequent to the period ended July 31, 2018, and in connection with the Transaction, Grown Rogue entered into an agency agreement, pursuant to which the agent solicited, and Grown Rogue issued convertible debentures in the aggregate principal amount of CAD$1,500,000 ($1,152,340) (the "Debentures"). Each Debenture matures 24 months from the date of issuance and bears interest at 2% per annum payable quarterly in arrears on the last day of March, June, September and December of each year. The Debentures are convertible into Common Units of Grown Rogue at a price of CAD$0.44 per Common Unit and are secured by a general security agreement granting a security interest in all of Grown Rogue's and its subsidiaries property and assets. Grown Rogue has allocated the proceeds from the issuance of the Debentures as follows:

Convertible debentures, principal	$ 854,914
Fair value of conversion option	218,608
Deferred income tax liability	78,818
	$ 1,152,340

The fair value of the conversion option was calculated by subtracting the net present value of the debenture and the deferred tax liability from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 17% over a term of 24 months. The deferred tax liability was calculated using a corporate tax rate of 26.5%.

In connection with the issuance of the Debentures, Grown Rogue paid cash commissions of $80,664, of which $59,844 was allocated to the Debenture principal and $20,820 was allocated to the fair value of the conversion option. Grown Rogue also issued 238,636 GR Broker Warrants with each GR Broker Warrant entitling the holder to acquire one GR Unit at an exercise price of CAD$0.44 per GR Unit for a period of 24 months. Of the fair value of the GR Broker Warrants of $38,310, $28,422 was allocated to the Debenture principal and $9,888 was allocated to the GR Warrants.

The fair value of the GR Broker Warrants of $38,310 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.710%
Expected life	2 years
Expected volatility	100%*

* Based on the volatility of comparable publicly traded companies

2. Pro-Forma Assumptions (continued)

(i) Novicius entered into a definitive transaction agreement (the "Definitive Agreement") dated November XX, 2018 with the unitholders of Grown Rogue and the shareholders of Grown Rogue Canada Inc. ("Grown Rogue Canada") and Novicius Acquisition Corp. ("Novicius Subco") which will result, through a series of transactions, in the acquisition of all of the equity interests of Grown Rogue and Grown Rogue Canada by Novicius (the "Transaction"), such that, immediately following completion of the Transaction, approximately 86% of the issued and outstanding shares of Novicius will be owned by the former unitholders of Grown Rogue. Prior to close of the Transaction the Novicius completed a consolidation of its common shares on the basis of 1.4 pre-consolidated common shares for 1 post-consolidated common share. Upon close of the Transaction, Novicius will issue, in aggregate, 60,717,002 common shares to the Grown Rogue unitholders for all of the outstanding units of Grown Rogue. Holders of warrants and convertible debentures of Grown Rogue exchanged such securities for warrants and convertible debentures, with substantially the same terms, of Novicius on a one for one basis.

For accounting purposes, Grown Rogue is the deemed acquirer and Novicius the deemed acquired company, and accordingly, Novicius' balances are accounted for at cost and Grown Rogue is accounted for at fair value. Since Novicius' operations do not constitute a business, this transaction has been accounted for as a reverse takeover that is not a business combination. Therefore, Novicius' share capital, deficit, share purchase warrants and contributed surplus will be eliminated, the consideration transferred by Novicius will be allocated to share capital, and the transaction costs will be expensed. For purposes of this unaudited pro-forma consolidated statement of financial position, it has been assumed that all conditions of the letter of the Agreement have been met.

The allocation of the consideration transferred is as follows:

3,773,689 shares at a price of CAD$0.44 per share	$ 1,275,581
Net assets (liabilities) of Novicius acquired	(537,618)
Transaction costs	$ 1,813,199

The acquisition-date fair value of the consideration transferred by Novicius for its interest in Grown Rogue is based on the number of equity interests Grown Rogue would have had to issue to give the owners of Novicius the same percentage equity interest in the combined entity that results from the transaction described above. The fair value of the number of equity interests calculated in that way is used as the fair value of consideration transferred in exchange for Grown Rogue. An adjustment has been booked to adjust the fair market value of Novicius' equity interest in Grown Rogue accordingly.

2. Pro-Forma Assumptions (continued)

(j) Subsequent to July 31, 2018, Grown Rogue Canada, an affiliate of Grown Rogue, completed a brokered private placement of 6,193,916 subscription receipts (the "Brokered Subscription Receipts") for gross proceeds of CAD$2,725,323 ($2,093,665). Under its terms, each Brokered Subscription Receipt is automatically converted and immediately cancelled, without any further action by the holder of such Brokered Subscription Receipt, and for no additional consideration, into one unit of Grown Rogue Canada (the "GRC Units") upon the satisfaction of the following conditions, among others: (a) the completion of the acquisition of all outstanding units of Grown Rogue by Novicius; (b) requisite shareholder and regulatory approvals of the Transaction including, but not limited to, conditional approval of the Exchange for the listing of the Shares issuable in connection thereto; and (c) all documents and instruments have been tabled for the concurrent closing of the Transaction (the "Closing"). The Brokered Subscription Receipts were issued pursuant to the terms of a subscription receipt agreement (the "Subscription Receipt Agreement") dated July 5, 2018 between Grown Rogue Canada, M Partners Inc., as lead agent, and Capital Transfer Agency, ULC (the "Escrow Agent"). Each GRC Unit consists of one share in the capital of Grown Rogue Canada (the "GRC Shares") and one Grown Rogue Canada common share purchase warrant (the "GRC Warrants"). Each GRC Warrant is exercisable into one GRC Share at an exercise price of CAD$0.55 per GRC Share for 24 months. The GRC Shares and GRC Warrants issued upon conversion of the Brokered Subscription Receipts were immediately exchanged, without additional consideration or action, for common shares and warrants of Novicius ("Resulting Issuer Shares" and "Resulting Issuer Warrants" respectively), on Closing pursuant to the terms of the Definitive Agreement. Each Resulting Issuer Warrant will be exercisable into one Resulting Issuer Share at an exercise price of CAD$0.55 per Resulting Issuer Share for 24 months. Of the gross proceeds of $2,093,665, $592,888 was allocated to the GRC Warrants.

The fair value of the GRC Warrants of $592,888 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.710%
Expected life	2 years
Expected volatility	100%*

* Based on the volatility of comparable publicly traded companies

In connection with the issuance of the GRC Units, Grown Rogue Canada paid cash commissions of $135,477, of which $97,113 was allocated to the GRC shares and $38,364 was allocated to the GRC Warrants. Grown Rogue also issued 400,798 GRC Broker Warrants with each GRC Broker Warrant entitling the holder to acquire one GRC Unit at an exercise price of CAD$0.44 per GR Unit for a period of 24 months. Of the fair value of the GRC Broker Warrants of $64,343, $46,122 was allocated to the GRC shares and $18,221 was allocated to the GRC Warrants.

2. Pro-Forma Assumptions (continued)

(j) (continued)

The fair value of the GR Broker Warrants of $64,343 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.710%
Expected life	2 years
Expected volatility	100%*

* Based on the volatility of comparable publicly traded companies

(k) Subsequent to July 31, 2018, and in connection with the Debentures discussed in note 2(h) above, Grown Rogue Canada offered GRC Warrants to the purchasers of the Debentures at a purchase price of $0.0001 per GRC Warrant. Pursuant to this offering, GRC issued 3,409,091 GRC Warrants for gross proceeds of $341.

(l) Subsequent to July 31, 2018, Novicius assigned CAD$329,508 ($253,137) of indebtedness to Novicius Subco which was subsequently converted (the “Debt Conversion”) into 748,881 units of Novicius Subco at CAD$0.44 per unit (the “Debt Conversion Units”). Each Debt Conversion Unit was comprised of one common share of Novicius Subco (a “Debt Conversion Share”) and one Novicius Subco purchase warrant (“Novicius Subco Warrants”). Each Novicius Subco Warrant is exercisable into one common share at an exercise price of CAD$0.55 per share for 24 months In accordance with the Definitive Agreement, the Debt Conversion Shares were exchanged for 748,881 Resulting Issuer Shares at the time of the Amalgamation, and the 748,881 Novicius Subco Warrants were exchanged, without additional consideration or action, for the same number of Resulting Issuer Warrants. Of the deemed proceeds of the Debt Conversion Units of $253,137 related to the assigned indebtedness, $181,453 were assigned to the common shares of Novicius Subco and $71,684 were allocated to the Novicius Subco Warrants.

The fair value of the Novicius Subco Warrants of $72,066 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.710%
Expected life	2 years
Expected volatility	100%*

* Based on the volatility of comparable publicly traded companies

2. Pro-Forma Assumptions (continued)

(m) Subsequent to the period ended July 31, 2018, the Grown Rogue completed a financing for aggregate proceeds of CAD$649,351 ($498,848), pursuant to which it issued 1,475,979 common units and warrants to purchase a further 1,675,979 common units. Each warrant shall be exercisable period of two years following the date of option exercise ("the Expiration Date"); provided, however, that the expiration date shall be automatically extended for an additional three years (the "Extended Period") if, during the initial two-year term the Company does not raise at least $18,000,000 in additional equity capital at an effective price per common unit at or above $0.70 (a "Qualified Offering"); and provided further, that the Company has the right, only during the Extended Period, if any, and only following the exercise of the Option, to accelerate the expiration date to forty-five days following written notice to the holder if during the Extended Period the Company closes a Qualified Offering. Of the gross proceeds of $498,848, $152,446 was allocated to the warrants.

The fair value of the GRC Warrants of $152,446 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.710%
Expected life	2 years
Expected volatility	100%*

* Based on the volatility of comparable publicly traded companies

(n) The companies estimate they will incur approximately $800,000 of professional fees associated with the Transaction. Of these fees, $316,689 were included in deferred transaction costs of Grown Rogue as at July 31, 2018.

(o) The pro-forma effective income tax rate is 26.50%.

3. Pro-Forma Issued Capital

A continuity of pro-forma consolidated issued capital is provided below:

Issued Capital	Number	Amount
Common shares of Novicius outstanding May 31, 2018	5,283,164	$ 18,266,550
Effects of 1.4:1 consolidation of Novicius common shares (note 2(i))	(1,509,475)	-
Elimination of Novicius share capital at historical cost (note 2 (i))	-	(18,266,550)
Common shares issued to unit holders of Grown Rogue (note 2(i))	60,717,002	10,575,352
Common shares issued pursuant to Brokered Subscription Receipts (note 2(j))	6,193,916	1,357,542
Common shares issued pursuant to Debt Conversion Units (note 2(l))	748,881	181,453
Balance July 31, 2018 after giving effect to pro-forma adjustments	71,433,488	$ 12,114,347