BRISIO INNOVATIONS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited – Expressed in Canadian dollars)

For the Three and Nine Months Ended September 30, 2018 and 2017

Index

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2018 and 2017.

BRISIO INNOVATIONS INC.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	Notes	September 30, 2018 $	December 31, 2017 $
ASSETS			
Current assets			
Cash and cash equivalents		**1,363,692**	49,145
Receivables		**89,735**	31,522
Prepaid expenses		**10,115**	8,117
Registry deposits		**533,038**	-
Prepaid domain name registry fees, current portion		**11,995,988**	-
		13,992,568	88,784
Non-current assets			
Prepaid domain name registry fees, long-term portion		**770,894**	-
Digital currency	6	**112,382**	-
Convertible note	7	**100,000**	581,235
Investments	8	**4,036,896**	3,810,580
Unallocated purchase price	4	**15,831,661**	-
		34,844,401	4,480,599
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**405,966**	245,383
Customer deposits		**769,143**	-
Deferred revenue, current portion		**12,748,500**	-
Loans payable	10	**10,809,077**	-
		24,732,686	245,383
Long-term liabilities			
Convertible debenture – liability portion	11	**265,751**	-
Deferred revenue, long-term portion		**806,112**	-
		25,804,549	245,383
EQUITY			
Share capital	12	**28,222,331**	21,539,936
Convertible debt – Equity	11	**15,808**	-
Contributed surplus		**1,412,105**	1,251,950
Accumulated other comprehensive loss		**(38,100)**	-
Deficit	9	**(20,553,940)**	(18,556,670)
Total equity attributable to shareholders of the Company		**9,058,204**	4,235,216
Attributable to non-controlling interest		**(18,352)**	-
		9,039,852	4,235,216
		34,844,401	4,480,599

Nature of operations and going concern (note 1)

Approved on behalf of the Board

“Paul Andreola” **Director** “Colin Bowkett” **Director**

The notes are an integral part of these condensed interim consolidated financial statements

BRISIO INNOVATIONS INC.
Condensed Interim Consolidated Statements of Comprehensive (Loss) Income
For the three and nine months ended September 30, 2018 and 2017
(Unaudited – Expressed in Canadian Dollars)

	Notes	For the nine months ended September 30, 2018 $	For the three months ended September 30, 2018 $	For the nine months ended September 30, 2017 $	For the three months ended September 30, 2017 $
REVENUE		**3,394,721**	**3,394,721**	46	15
COST OF SALES		**(3,392,626)**	**(3,392,626)**	-	(92)
GROSS PROFIT (LOSS)		**2,095**	**2,095**	46	(77)
GENERAL AND ADMINISTRATION EXPENSES					
Consulting fees		**27,358**	**27,358**	-	-
Management fees	13	**64,000**	**29,000**	54,000	18,000
Office and general		**89,281**	**33,965**	80,134	38,847
Professional fees	13	**86,968**	**62,399**	20,631	2,756
Transfer agent and filing		**45,080**	**24,265**	15,758	(13,598)
		312,687	**176,987**	170,523	46,005
Loss before other items		**(310,592)**	**(174,892)**	(170,477)	(46,082)
OTHER ITEMS					
Accretion expense		**(11,958)**	**(7,337)**	-	-
Change in fair value of convertible note	7	**-**	**-**	56,823	56,823
Foreign exchange gain (loss)		**(148,483)**	**(73,196)**	7,751	4,190
Interest expense	10	**(273,832)**	**(197,006)**	-	-
Unrealized gain (loss) on investments	8	**(822,510)**	**(597,900)**	1,634,542	(789,690)
Realized gain on sale of investments	8	**116,152**	-	108,686	77,709
Share-based payment		**(227,626)**	**(227,626)**	-	-
Transaction cost	10	**(328,125)**	**(328,125)**	-	-
		(1,696,382)	**(1,431,190)**	1,807,802	(650,968)
Net (loss) income		**(2,006,974)**	**(1,606,082)**	1,637,325	(697,050)
Other comprehensive loss					
Exchange difference on subsidiary translation		**(24,227)**	**(24,227)**	-	-
Digital currency revaluation		**(22,521)**	**(22,521)**	-	-
Total comprehensive (loss) income		**(2,053,722)**	**(1,652,830)**	1,637,325	(697,050)
(Loss) income attributable to:					
Shareholders of the Company		**(1,997,270)**	**(1,596,378)**	1,637,325	(697,050)
Non-controlling interest		**(9,704)**	**(9,704)**	-	-
		(2,006,974)	**(1,606,082)**	1,637,325	(697,050)
Comprehensive (loss) income attributable to:					
Shareholders of the Company		**(2,035,370)**	**(1,634,478)**	1,637,325	(697,050)
Non-controlling interest		**(18,352)**	**(18,352)**	-	-
		(2,053,722)	**(1,652,830)**	1,637,325	(697,050)
Basic and diluted earnings (loss) per share		**(0.05)**	**(0.04)**	0.05	(0.02)
Weighted average number of shares outstanding - basic		**44,196,986**	**54,877,706**	33,784,316	33,784,316

The notes are an integral part of these condensed interim consolidated financial statements

BRISIO INNOVATIONS INC.
Condensed Interim Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2018 and 2017
(Unaudited – Expressed in Canadian Dollars)

	Number of Shares #	Share Capital $	Contributed Surplus $	AOCI $	Convertible Debenture – Equity Component $	NCI $	Deficit $	Total $
Balance as at January 1, 2018	36,507,993	21,539,936	1,251,950	-	-	-	(18,556,670)	4,235,216
Issue of share capital, net	16,719,543	5,101,840	-	-	-	-	-	5,101,840
Finders' fee – shares	222,775	77,972	-	-	-	-	-	77,972
Share issuance cost – cash	-	(195,910)	-	-	-	-	-	(195,910)
Bonus shares issued pursuant to loan payable	3,750,000	1,312,500	-	-	-	-	-	1,312,500
Shares issued as earnout payment pursuant to acquisition of NameSilo	529,499	180,029	-	-	-	-	-	180,029
Exercise of options	740,000	203,620	(97,870)	-	-	-	-	105,750
Exercise of warrants	9,375	2,344	-	-	-	-	-	2,344
Share-based payment	-	-	227,626	-	-	-	-	227,626
Convertible debenture	-	-	30,399	-	15,808	-	-	46,207
Net loss for the period	-	-	-	-	-	(9,704)	(1,997,270)	(2,006,974)
Other comprehensive loss for the period	-	-	-	(38,100)	-	(8,648)	-	(46,748)
Balance as at September 30, 2018	**58,479,185**	**28,222,331**	**1,412,105**	**(38,100)**	**15,808**	**(18,352)**	**(20,553,940)**	**9,039,852**
Balance as at January 1, 2017	29,061,828	20,393,294	1,046,628	-	-	-	(16,900,144)	4,539,778
Issue of share capital, net	7,171,165	1,113,174	-	-	-	-	-	1,113,174
Net income for the period	-	-	-	-	-	-	1,637,325	1,637,325
Balance, September 30, 2017	36,232,993	21,506,468	1,046,628	-	-		(15,262,819)	7,290,277

The notes are an integral part of these condensed interim consolidated financial statements

BRISIO INNOVATIONS INC.
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended September 30, 2018 and 2017
(Unaudited – Expressed in Canadian Dollars)

	2018 $	2017 $
CASH FLOWS PROVIDED BY (USED IN):		
Operating activities		
Net (loss) income for the period	**(2,006,974)**	1,637,325
Adjustment for items not involving cash:		
Accretion expense	**11,958**	-
Change in fair value of convertible note	**-**	(56,823)
Interest expense	**273,832**	-
Share-based payment	**227,626**	-
Transaction cost	**328,125**	-
Unrealized (gain) loss on investments	**822,510**	(1,634,542)
Realized gain on sale of investment	**(116,152)**	(108,686)
	(459,075)	(162,726)
Changes in non-cash working capital related to operations:		
Receivables	**536,398**	23,990
Prepaid expenses	**(1,998)**	(2,007)
Registry deposits	**368,883**	-
Prepaid domain name registry fees	**120,663**	-
Digital currency	**(5,527)**	-
Accounts payable and accrued liabilities	**(2,223,785)**	(101,702)
Customer deposits	**(50,485)**	-
Deferred revenue	**405,055**	-
Net cash used in operating activities	**(1,309,871)**	(242,445)
Investing activities		
Sale of investments	**163,436**	169,075
Acquisition of NameSilo	**(13,816,407)**	-
Purchase of investments	**(610,000)**	(899,940)
Net cash used in investing activities	**(14,262,971)**	(730,865)
Financing activities		
Convertible debenture	**300,000**	-
Loans payable	**11,347,916**	-
Issuance of common shares, net of issuance costs	**4,983,902**	837,425
Exercise of options	**105,750**	-
Exercise of warrants	**2,344**	275,750
Net cash provided by financing activities	**16,739,912**	1,113,175
Foreign exchange on cash	**147,477**	-
Increase in cash during the period	**1,167,070**	139,865
Cash – beginning of the period	**49,145**	21,554
Cash – end of the period	**1,363,692**	161,419

The notes are an integral part of these condensed interim consolidated financial statements

(Unaudited – Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Brisio Innovations Inc. (the "Company") is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the Canadian Securities Exchange ("CSE"). The head office and principal address is 409 Granville Street, Suite 1052, Vancouver, British Columbia, Canada, V6C 1T2.

On August 7, 2018, the Company completed its acquisition of NameSilo, LLC ("NameSilo"), whereby the Company has acquired all of the issued and outstanding securities of NameSilo. Upon completion of the acquisition, the Company is now a provider of domain name registration services and marketplace services for the buying and selling of domain names. Refer to Note 4.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred a net loss of $2,006,974 for the nine months ended September 30, 2018, has a working capital deficit of $10,740,118 and has an accumulated deficit of $20,553,940 as at September 30, 2018. These material uncertainties lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon earning sufficient returns on its investments and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard 34, *Interim Financial Reporting*. They do not include all the information required for full annual financial statements.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 29, 2018.

(b) Basis of consolidation

(i) Subsidiaries:

These condensed interim consolidated financial statements include the financial statements of the Company and the following subsidiaries subject to control by the Company:

		Percentage owned	
	Incorporated in	**September 30, 2018**	**December 31, 2017**
Green River Petroleum (USA) Inc.	USA	100%	100%
Netco Argentina S.A.	Argentina	100%	100%
NameSilo, LLC	USA	81.5%	0%

Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

(ii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements.

(c) Functional and presentation currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

The functional currency of the Company, Green River Petroleum (USA) Inc. and Netco Argentina S.A. is the Canadian dollar. The functional currency of NameSilo, LLC is the US dollar. The presentation currency of the Company is the Canadian dollar.

Entities whose functional currencies differ from the presentation currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the reporting date, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive income as cumulative translation differences.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

(d) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at their fair value.

In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(e) Use of estimates and judgments

The preparation of financial statements in compliance with IFRS requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Significant accounting estimates:

a. The judgment of indications of impairment of each asset and related determination of the net realizable value and write-down of these assets where applicable;

b. The tax basis of assets and liabilities and related deferred income tax assets and liabilities;

c. The inputs used in determining the valuation of share purchase warrants owned by the Company; and

d. The fair value of the convertible note.

Significant accounting judgments:

a. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management;

b. The Company has used judgment in determining the currency of the primary economic environment in which each entity operates. In making such determination, the management has considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates and also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained;

c. There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for digital currencies and management has exercised significant judgement in determining appropriate accounting treatment. In making this determination on the accounting for the digital currencies the Company has reviewed the sources and uses of the digital currencies in the operations of its business. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings;

d. The acquisition of NameSilo was accounted for as a business combination at fair value in accordance with IFRS 3, *Business Combinations*. The acquired assets and assumed liabilities were adjusted to their fair values assigned through completion of a preliminary purchase price allocation. The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value, and also relies on work performed by third-party valuation specialists. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied; and

e. The going concern risk assessment (see note 1).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2017, except for the following policies adopted in the current financial period:

Registry deposits
Registry deposits represent amounts on deposit with, or receivable from, various domain name registries to be used by the Company to make payments for future domain registrations or renewals.

Prepaid domain name registry fees
Prepaid domain name registry services fees represent amounts paid to registries, and country code domain name operators for updating and maintaining the registries. Domain name registry fees are recognized on a straight-line basis over the life of the contracted registration term.

Digital currency
The Company accepts digital currencies as a form of payment as consideration for their services. Revenue is measured based on the fair value of the digital currencies received. The fair value is determined using the spot price of the digital currency on the date of receipt, based on Blockchain.info.

The Company has classified its digital currencies as indefinite life intangible assets. The Company is using the re-valuation model to account for the digital currencies if there is an active market for their digital currencies and a significant value of daily transactions and a determinable market price for the digital currencies.

The digital currencies are recorded on the consolidated statement of financial position at their fair value and re-measured at each reporting date. Revaluation gains or losses are recognized in other comprehensive income. Realized gains and losses are transferred from accumulated other comprehensive income to retained earnings.

Customer deposits
Customer deposits are collections and credits from customer that can be redeemed for services offered by the Company.

Revenue recognition
Revenue is recorded when persuasive evidence of an arrangement exists, delivery of the product or service has occurred, the selling price is fixed or determinable and collectability is reasonably assured.

The Company's revenues are derived from domain name registration fees and the sales of domain names. Amounts received in advance of meeting the revenue recognition criteria described below are recorded as deferred revenue.

(i) Domain services

The Company earns registration fees in connection with each new, renewed and transferred-in registration. Service has been provided in connection with registration fees once the Company has confirmed that the requested domain name has been appropriately recorded in the registry under contractual performance standards.

Domain names are generally purchased for terms of one to ten years. Registration fees charged for domain name registration and provisioning services are recognized on a straight-line basis over the life of the contracted term.

For arrangements with multiple deliverables, the Company allocates revenue to each deliverable if the delivered item(s) has value to the customer on a standalone basis and, if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. The fair value of the selling price for a deliverable is determined using a hierarchy of (1) Company specific objective and reliable evidence, then (2) third-party evidence, then (3) best estimate of selling price. The Company allocates any arrangement fee to each of the elements based on their relative selling prices.

(ii) Commissions

If the Company acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognized is the net amount of commission made by the Company.

<u>Deferred revenue</u>
Deferred revenue primarily relates to the unearned portion of revenues received in advance related to the unexpired term of registration fees from domain name registrations.

<u>Business combination</u>
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* or IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

<u>Intangible assets</u>
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognised.

<u>Goodwill</u>
Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible assets acquired. Goodwill is not subject to amortization and an impairment test is performed annually or as events occur that could indicate impairment. Goodwill is reported at cost less any impairment.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units" or "CGU"s). To test for impairment, goodwill is allocated to each of the Company's CGUs, groups of CGUs, or an operating segment expected to benefit from the acquisition. Goodwill is tested by combining the carrying amounts of equipment and leasehold improvements, intangible assets and goodwill and comparing this to the recoverable amount. Fair value less costs of disposal, is price to be received in an orderly transaction between market participants. Value in use is assessed using the present value of the expected future cash flows. Any excess of the carrying amount over the recoverable amount is recorded as impairment. Impairment charges, which are not tax affected, are recognized in in profit or loss and are not reversed.

<u>Transition to IFRS 9</u>
The Company adopted IFRS 9, *Financial Instruments: Classification & Measurement* on January 1, 2018. The adoption of the standard was applied retrospectively and the opening statement of financial position as of January 1, 2017 was adjusted.

On transition to IFRS 9, the Company's financial assets were classified into the following categories:

- FVTPL – Cash and cash equivalents, convertible notes and investments
- FVOCI – None
- Amortized Cost – Accounts receivable

The only change in classification was to the Company's investments which were previously classified as available for sale. Since the available for sale classification already required the investments to be recorded on the statement of financial position at fair value, there was no adjustment to the carrying value of the investments. The change in classification will result in past and future unrealized gains and losses on the Company's investments being recorded in profit and loss before tax instead of in other comprehensive income and loss net of tax. The accumulated unrealized gains and losses on the Company's investments will be included in deficit instead of accumulated other comprehensive income/loss.

Refer to Note 9 for quantitative details pertaining to the adoption of this standard.

<u>New accounting standards</u>

The Company adopted the following new standards and interpretations issued by the IASB effective January 1, 2018. The adoption of these standards had no impact on the Company's consolidated financial statements with the exception of IFRS 9 (note 9).

IFRS 9	*Financial Instruments: Classification & Measurement* (note 9)
IFRS 15	*Revenue from Contracts with Customers*
IFRS 2 (Amendment)	*Clarification of Classification & Measurement of Share-Based Payment Transactions*

The following standards and interpretations have been issued but are not yet effective. The Company is currently assessing the impact that these standards will have on the consolidated financial statements. The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

(Unaudited – Expressed in Canadian Dollars)

Effective annual periods beginning on or after January 1, 2019:	
IFRS 16	*Leases*

4. ACQUISITION OF NAMESILO

On August 7, 2018, the Company completed the acquisition of NameSilo, whereby the Company has acquired all of the issued and outstanding securities of NameSilo on terms as follows:

- USD$9,511,500 (CAD$12,422,300) was paid in cash on closing; and
- An earn-out payment of USD$2,546,066 was satisfied by USD$2,360,743 (CAD$3,072,979) in cash and 529,499 common shares of the Company

The transaction was accounted for as a business combination, as the operations of NameSilo meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs of $37,878 were expensed. The goodwill resulting from the allocation of the purchase price to the total fair value of net assets will represent the sales and growth potential of NameSilo.

The fair value of the consideration transferred has been determined on a preliminary basis. The consideration has been allocated to the assets acquired and liabilities assumed on a preliminary basis based on their estimated fair values at the date of acquisition. Due to the timing of the acquisition, the Company will require additional information to allocate the fair values to the net assets acquired, particularly to the intangible assets and goodwill acquired. The determination of the fair value of the net assets will be revised by the Company as additional information is received. The Company has allocated the purchase price on a preliminary basis as follows:

	$
Cash	15,495,279
529,499 common shares of the Company	180,029
Fair value of consideration	15,675,308
Cash	1,678,872
Digital currency	129,376
Receivables	599,486
Registry deposits	901,921
Prepaid domain name registry fees	12,887,545
Accounts payable and accrued liabilities	(2,384,368)
Customer deposits	(819,628)
Deferred revenue	(13,149,557)
Total net assets acquired and liabilities assumed	(156,353)
Unallocated purchase price	15,831,661

(Unaudited – Expressed in Canadian Dollars)

The fair value of the 529,499 common shares issued ($180,029) was determined based on the fair value of the Company's shares immediately prior to the completion of the acquisition.

The operating results for NameSilo have been recognized in the consolidated statement of comprehensive income beginning on August 7, 2018, the effective date of control. During the three months ended September 30, 2018, the Company recorded revenues of $3,394,721 and net loss of $52,456 related to NameSilo. If NameSilo had been acquired at the beginning of the year, revenues would have been $10,592,291 and net income would have been $287,271 related to NameSilo.

In August 2018, the Company entered into a share purchase agreement with 1161217 B.C. Ltd. (the "Digital Service Company") and the shareholders of the Digital Service Company. In consideration of the Digital Service Company, the Company has transferred 18.5% of the member interest of NameSilo to the shareholders of the Digital Service Company.

5. DETERMINATION OF FAIR VALUES

Estimates of the fair value of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. At September 30, 2018, the Company's financial instruments include cash and cash equivalents, accounts receivable, convertible note, investments, accounts payable and accrued liabilities, loans payable and convertible debenture. Accounts receivable, accounts payable and accrued liabilities, loans payable and convertible debenture are recognized on the consolidated statement of financial position at their carrying value which approximated their fair value due to their short-term nature.

All financial instruments measured at fair value are categorized into a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below:

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 (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

September 30, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 1,363,692	$ -	$ -	$ 1,363,692
Investment - shares	$ 4,036,849	$ -	$ -	$ 4,036,849
Investment - warrants	$ -	$ -	$ 47	$ 47
Convertible note	$ -	$ -	$ 100,000	$ 100,000

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 49,145	$ -	$ -	$ 49,145
Investment - shares	$ 3,532,252	$ -	$ -	$ 3,532,252
Investment - warrants	$ -	$ -	$ 199,828	$ 199,828
Convertible note	$ -	$ -	$ 581,235	$ 581,235

6. DIGITAL CURRENCY

The Company holds 13 bitcoins with a fair value of $112,392 as at September 30, 2018. The Company has recorded re-valuation losses in other comprehensive loss of $22,521 for the three and nine months ended September 30, 2018.

The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices or lack of an active market for the digital currencies would have a significant impact on the Company's other comprehensive income and financial position.

The Company uses Blockchain.info as the exchange to transact in bitcoin and bitcoin cash.

7. CONVERTIBLE NOTE

On September 12, 2016, the Company completed an investment in ImmunoPrecise Antibodies Ltd. ("IPA"). The Company subscribed for a convertible note in the principal amount of $97,500 (the "Convertible Note"). The Convertible Note earned interest at a rate of 5% per annum, calculating and accruing daily from the date of issue, payable in arrears on an annual basis commencing on September 12, 2016, and matured on September 12, 2017. Such interest was to be paid in Canadian currency or common shares in accordance with the terms.

On March 16, 2017, the Convertible Note was converted into 650,000 units of IPA at a price of $0.15 per unit. The Company was issued 650,000 common shares of IPA and 650,000 warrants which entitled the Company to acquire one additional share of IPA at a price of $0.30 per share for a period of 12 months from the date of issue. The fair value of the Convertible Note on conversion date comprised the fair value of the shares and the fair value of the warrants determined by the use of the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%; expected annual volatility 282%; risk-free interest rate 0.64%; market share price of $1.24; and expected life of 1 year. Expected volatility was based on the volatility of similar companies. As a result, the change in fair value of the Convertible Note was $56,823. In February 2018, the Company exercised 650,000 warrants of IPA at a price of $0.30 per share for a total of $195,000.

On August 9, 2017, the Company completed an investment in Atlas Engineered Products Ltd. (**"**Atlas"). The Company subscribed for a convertible note in the principal amount of $97,500 (the "Convertible Note2"). The Convertible Note2 earned interest at a rate of 5% per annum, calculating and accruing daily from the date of issue, payable in arrears on an annual basis commencing on August 9, 2017, and matured on August 9, 2018. Such interest was to be paid in Canadian currency or common shares in accordance with the terms.

On August 9, 2018, the Convertible Note2 was converted into 498,579 units of Atlas at a price of $0.20 per unit. The Company was issued 498,579 common shares of Atlas and 498,579 warrants which entitle the Company to acquire one additional share of Atlas at a price of $0.40 per share for a period of 12 months from the date of issue.

On December 12, 2017, the Company received a promissory note from Nanalysis Corp. (**"**Nanalysis") for advancing a principal amount of $100,000 (the "Convertible Note3"). The purpose of the Convertible Note3 was to assist Nanalysis with a proposed business combination (the "Transaction"), with the combined entity after giving effect to the Transaction being the resulting issuer (the "Resulting Issuer"). The Convertible Note3 earns simple, non-compounding interest at a rate of 11% per annum. As the proposed Transaction has been terminated, the principal amount plus accrued interest is due and payable in full on July 1, 2021. Subsequent to September 30, 2018, the principal amount plus accrued interest has been repaid in full.

(Unaudited – Expressed in Canadian Dollars)

8. INVESTMENTS

September 30, 2018

	Lite Access Technologies Inc.		Pioneering Technologies		Renoworks Software Inc.		NAMSYS Inc.		Allur Group		Total Telcom Inc.	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Balance, Jan. 1, 2018	319,099	$ 462,694	1,021,300	$ 868,105	137,000	$ 30,140	120,000	$ 76,800	523,332	$ 78,500	340,000	$ 105,400
Purchased	-	-	-	-	-	-	-	-	-	-	-	-
Converted	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale	(25,000)	(24,595)	(100,000)	(27,195)	-	-	-	-	-	-	-	-
Warrants expired	-	-	-	-	-	-	-	-	-	-	.	-
Warrants exercised	-	-	-	-	-	-	-	-	-	-	-	-
Realized gain (loss)	-	(2,929)	-	(9,105)	-	-	-	-	-	-	-	-
Unrealized gain (loss)	-	(267,533)	-	(684,397)	-	24,660	-	-	-	-	-	(57,800)
Balance, Sept 30, 2018	294,099	$ 167,637	921,300	$ 147,408	137,000	$ 54,800	120,000	$ 76,800	523,332	$ 78,500	340,000	$ 47,600

	Vigil Health Solutions		ImmunoPrecise Antibodies		ImmunoPrecise Antibodies – Warrants		Gatekeeper Systems Inc.		Gatekeeper Systems Inc. – Warrants		Innovotech Inc	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Balance, Jan. 1, 2018	750,000	$ 525,000	1,650,000	$ 990,000	650,000	$ 196,229	750,000	$ 97,500	375,000	$ 3,597	287,000	$ 41,615
Purchased	-	-	250,000	250,000	250,000	-	-	-	-	-	-	-
Converted	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale	-	-	-	-	-	-	(750,000)	(74,110)	-	-	(287,000)	(37,535)
Warrants expired	-	-	-	-	-	-	-	-	-	-	-	-
Warrants exercised	-	-	650,000	195,000	(650,000)	-	-	-	-	-	-	-
Realized gain (loss)	-	-	-	188,500	-	-	-	(75,890)	-	-	-	15,576
Unrealized gain (loss)	-	(172,500)	-	811,500	-	(196,229)	-	52,500	-	(3,550)	-	(19,656)
Balance, Sept 30, 2018	750,000	$ 352,500	2,550,000	$ 2,435,000	250,000	$ -	-	$ -	375,000	$ 47	-	$ -

	Atlas Engineered Products Ltd.		Ironwood Capital		Silo Technologies		
	Number	Amount	Number	Amount	Number	Amount	Total
Balance, Jan. 1, 2018	500,000	$ 335,000	-	$ -	-	$ -	$ 3,810,580
Purchased	-	-	200,000	40,000	-	125,000	415,000
Converted	498,579	314,105	-	-	-	-	314,105
Proceeds from sale	-	-	-	-	-	-	(163,435)
Warrants expired	-	-	-	-	-	-	-
Warrants exercised	-	-	-	-	-	-	195,000
Realized gain (loss)	-	-	-	-	-	-	116,152
Unrealized gain (loss)	-	(137,500)	-	-	-	-	(650,505)
Balance, Sept 30, 2018	998,579	$ 511,605	200,000	$ 40,000	$ -	$ 125,000	$ 4,036,896

(Unaudited – Expressed in Canadian Dollars)

December 31, 2017

	Lite Access Technologies Inc.		Intema Solutions Inc. – warrants		Renoworks Software Inc.		Allur Group		International Barrier Tech		Innovotech Inc.	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Balance, Jan. 1, 2017	331,499	$ 623,218	2,000,000	$ -	100,000	$ 46,000	523,332	$ 78,500	17,500	$ 5,425	-	$ -
Purchased	-	-	-	-	37,000	15,850	-	-	100,000	35,000	291,000	22,410
Converted	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale	(12,400)	(20,526)	-	-	-	-	-	-	(117,500)	(58,163)	(4,000)	(540)
Warrants expired	-	-	(2,000,000)	-	-	-	-	-	-	-	-	-
Warrants exercised	-	-	-	-	-	-	-	-	-	-	-	-
Realized gain (loss)	-	17,962	-	-	-	-	-	-	-	17,423	-	231
Unrealized gain (loss)	-	(157,961)	-	-	-	(31,710)	-	-	-	315	-	19,513
Balance, Dec.31, 2017	319,099	$ 462,693	-	$ -	137,000	$ 30,140	523,332	$ 78,500	-	$ -	287,000	$ 41,614

	NAMSYS Inc		ImmunoPrecise Antibodies		ImmunoPrecise Antibodies – Warrants		Gatekeeper Systems Inc.		Gatekeeper Systems Inc. – Warrants		Vigil Heath Solutions	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Balance, Jan. 1, 2017	100,000	$ 65,000	1,000,000	$ 1,290,000	-	$ -	-	$ -	-	$ -	-	$ -
Purchased	20,000	12,000	-	-	-	-	750,000	150,000	375,000	-	750,000	340,905
Converted	-	-	650,000	806,000	650,000	748,198	-	-	-	-	-	-
Proceeds from sale	-	-	-	-	-	-	-	-	-	-	-	-
Warrants expired	-	-	-	-	-	-	-	-	-	-	-	-
Warrants exercised	-	-	-	-	-	-	-	-	-	-	-	-
Realized gain (loss)	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized gain (loss)	-	(200)	-	(1,106,000)	-	(551,967)	-	(52,500)	-	3,597	-	184,095
Balance, Dec. 31, 2017	120,000	$ 76,800	1,650,000	$ 990,000	650,000	$ 196,231	750,000	$ 97,500	375,000	$ 3,597	750,000	$ 525,000

	Total Telcom Inc		Atlas Engineer Products Ltd.		Pioneering Tech – shares		Pioneering Tech – warrants		
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Total
Balance, Jan. 1, 2017	-	$ -	-	$ -	665,500	$ 658,845	600,000	$ 447,347	$ 3,214,335
Purchased	340,000	74,010	500,000	200,000	-	-	-	-	850,175
Converted	-	-	-	-	-	-	-	-	1,554,198
Proceeds from sale	-	-	-	-	(244,200)	(246,476)	-	-	(325,705)
Warrants expired	-	-	-	-	-	-	-	-	-
Warrants exercised	-	-	-	-	600,000	150,000	(600,000)	-	150,000
Realized gain (loss)	-	-	-	-	-	203,538	-	-	239,154
Unrealized gain (loss)	-	31,390	-	135,000	-	102,198	-	(447,347)	(1,871,577)
Balance, Dec. 31, 2017	340,000	$ 105,400	500,000	$ 335,000	1,021,300	$ 868,105	-	$ -	$ 3,810,580

(Unaudited – Expressed in Canadian Dollars)

During the nine months ended September 30, 2018, the Company paid $125,000 towards a future investment in Silo Technologies.

9. TRANSITION TO IFRS 9 – FINANCIAL INSTRUMENTS

The Company adopted IFRS 9 – Financial Instruments on January 1, 2018. The adoption of the standard was applied retrospectively and the opening statement of financial position as of January 1, 2017 was adjusted.

On transition to IFRS 9, the Company's financial assets were classified into the following categories:

- FVTPL – Cash and cash equivalents, convertible notes and investments
- FVOCI – None
- Amortized Cost – Accounts receivable

The only change in classification was to the Company's investments which were previously classified as available for sale. Since the available for sale classification already required the investments to be recorded on the statement of financial position at fair value, there was no adjustment to the carrying value of the investments. The change in classification will result in past and future unrealized gains and losses on the Company's investments being recorded in profit and loss before tax instead of in other comprehensive income and loss net of tax. The accumulated unrealized gains and losses on the Company's investments will be included in deficit instead of accumulated other comprehensive income/loss.

The only impact of the adoption to the transition statement of financial position at January 1, 2017 was to transfer the balance of AOCI of $2,269,855 to deficit resulting in a change to the deficit from $19,169,999 to $16,900,144. The impact of the retrospective application of IFRS 9 resulted in the following adjustments to net income previously reported for the nine months ended September 30, 2017:

Net loss previously reported	$7,048
Change to DIT recovery	(4,265)
Unrealized gain on FVTPL	1,634,542
	1,637,325

The retrospective application also resulted in an increase to earnings per share of $0.05 per share.

10. LOANS PAYABLE

On May 1, 2018, the Company received a bridge loan financing in the principal amount of $5,000,000. The loan bears interest at a rate of 8% per annum and is due on November 1, 2018. As an incentive for the lender entering into the loan agreement, the Company agreed to issue as a bonus a total of 300,000 common shares.

(Unaudited – Expressed in Canadian Dollars)

On June 22, 2018, the Company received another bridge loan financing in the principal amount of $6,347,916 (USD$4,770,000). The loans bear interest at a rate of 8% per annum and are due in June 2019.

As an incentive for the lenders entering into the loan agreements, the Company has issued as a bonus a total of 3,750,000 common shares to the lender. The fair value of the common shares issued ($1,312,500) has been recorded as transaction costs against the value of the loan payable and is amortized over the term of the loan.

	$
Balance, December 31, 2017	-
Amount at date of issue	11,347,916
Transaction costs	(1,312,500)
Amortization of transaction costs	328,125
Interest expense	273,832
Foreign exchange	171,704
Balance, September 30, 2018	10,809,077

11. CONVERTIBLE DEBENTURE

On May 2, 2018, the Company issued a convertible debenture in the principal amount of $300,000. The debentures are secured on the assets of the Company, bear interest at a rate of 10% per annum, payable semi-annually and due eighteen months after closing. The debenture is convertible into common shares of the Company at a price of $0.50 per share. Further, the holder received a total of 300,000 detachable share purchase warrants. The warrants are exercisable at a price of $0.65 per share for a period of eighteen months from the date of issue.

For accounting purposes, the convertible debenture is separated into liability and equity components. The fair value of the liability component is calculated as the discounted cash flows for the exchangeable note assuming a 15% effective interest rate which is the estimated rate for convertible debentures without a conversion feature. The fair value of the equity component (conversion feature) is determined as the difference between the face value of the convertible debenture and the fair value of the liability component.

The fair value of the share purchase warrants is estimated to be $30,399 based on the Black-Scholes option pricing model. The following assumptions were used for the fair value determination of the warrants: dividend yield of 0%, expected volatility of 100.8%, a risk- free interest rate of 0.73% and an expected life of 1.5 years. The fair value of the share purchase warrants is allocated between the liability and equity components of the convertible debenture on a pro rata basis.

	Liability Component ($)	**Equity Component ($)**
Balance, December 31, 2017	-	-
Amount at date of issue	282,409	17,591
Transaction costs	(28,616)	(1,783)
Accretion	11,958	-
Balance, September 30, 2018	265,751	15,808

(Unaudited – Expressed in Canadian Dollars)

12. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.

(b) Issued

	September 30, 2018		December 31, 2017	
	Number of Shares	Amount	Number of Shares	Amount
Common shares:				
Balance, beginning of period	36,507,993	$21,539,936	29,061,828	$20,393,294
Transactions during the period:				
Private placement	16,719,543	5,101,840	5,332,834	799,925
Bonus shares	3,750,000	1,312,500		
Earn-out payment - shares	529,499	180,029		
Warrants exercised	9,375	2,344	1,838,331	275,750
Finders' fee – shares	222,775	77,972	-	-
Share issuance costs		(195,910)		
Options exercised	740,000	203,620	275,000	70,967
Balance, end of period	**58,479,185**	**28,222,331**	**36,507,993**	**$21,539,936**

On January 17, 2017, the Company closed a non-brokered private placement of 5,332,834 units at a price of $0.15 per unit for gross proceeds of $799,925. Each unit consists of one common share of the Company and one-quarter of one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one addition share at a price of $0.25 per share for a period of two years from the closing of the financing, subject to an acceleration provision whereby, in the event that the average closing price is equal to or greater than $0.40 per share for a period of ten consecutive trading days, the Company may accelerate the expiry date of the warrants to a date that is thirty days after the notice of completion of such period.

During the year ended December 31, 2017, 1,838,331 warrants were exercised at $0.15 per share for gross proceeds of $275,750.

On September 6, 2017, the aggregate of 275,000 options were exercised for gross proceeds of $37,500. The weighted average share price on the date of exercise is $0.25 per share.

In January 2018, the Company closed a non-brokered private placement of 5,000,000 units at a price of $0.20 per unit for gross proceeds of $1,000,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant will entitle the holder to purchase one additional share at a price of $0.30 per share for a period of two years from closing of the financing. In the event the average closing price is equal to or greater than $0.45 per share for a period of twenty consecutive trading days, the Company may accelerate the expiry date of the warrants to a date that is thirty days after the notice of completion of such period.

(Unaudited – Expressed in Canadian Dollars)

In January 2018, 9,375 warrants were exercised at a price of $0.25 for gross proceeds of $2,344.

In May and July 2018, the Company closed a non-brokered private placement of 11,719,543 shares at a price of $0.35 per share for gross proceeds of $4,101,840. In connection with the private placement, the Company incurred $195,910 in share issue costs and cash finders' fees and issued 222,775 finders shares valued at $77,972.

In August 2018, the Company issued 529,499 shares as an earnout payment pursuant to the acquisition of NameSilo. Refer to Note 4.

In August 2018, as an incentive for the lenders entering into the loan agreements, the Company has issued as a bonus a total of 3,750,000 common shares to the lender. Refer to Note 10.

(c) Stock options

The Company has a stock option plan in accordance with the policies on the Canadian Securities Exchange whereby, from time to time at the discretion of the Board of Directors, stock options are granted to directors, officers and certain consultants.

Under the plan up to 10% of the total number of issued common shares of the Company, calculated on a non-diluted basis, at the time an option is granted are available for the issuance of stock options. The exercise price of each option is based on the market price of the Company's common stock at the date of the grant less an applicable discount. The options can be granted for a maximum term of 10 years. The maximum number of options that may be granted to any one person must not exceed 5% of the common shares issued and outstanding at the time of grant unless disinterested shareholder approval is obtained. Any options granted to consultants or persons performing Investor Relations under the Amended Stock Option Plan shall vest to the optionee as follows: 25% at date of grant, 25% six months from date of grant, 25% nine months from date of grant and the remaining 25% twelve months from the date of grant. All other options granted under the Amended Stock Option Plan shall have vesting terms set at the discretion of the Board of Directors.

A summary of the stock option activity is as follows:

	September 30, 2018		December 31, 2017	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of period	2,640,000	$0.19	1,840,000	$0.15
Granted	1,300,000	$0.35	1,075,000	0.23
Expired	(100,000)	$0.15	-	-
Exercised	(740,000)	$0.14	(275,000)	(0.14)
Balance, end of period	3,100,000		2,640,000	$0.19

As at September 30, 2018 and December 31, 2017, the Company has outstanding directors' and employees' incentive stock options enabling the holders to acquire additional common shares as follows:

(Unaudited – Expressed in Canadian Dollars)

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
300,000	300,000	$0.30	February 28, 2019
500,000	500,000	$0.10	August 4, 2021
1,000,000	1,000,000	$0.23	December 20, 2022
1,300,000	1,000,000	$0.35	August 7, 2023
3,100,000	2,800,000		3.90 years remaining

On September 6, 2017, the aggregate of 275,000 options were exercised for gross proceeds of $37,500

On December 20, 2017, the Company granted 1,000,000 stock options to officers and directors of the Company. The stock options were granted for a period of 5 years, expiring on December 20, 2022, and each stock option will allow the holder to purchase a common share of the Company at an exercise price of $0.23. On December 29, 2017, the Company granted an additional 75,000 stock options with the same terms to an officer of the Company.

In August 2018, the Company granted a total of 1,300,000 stock options to its officers, directors and persons providing investor relations services. The options will be exercisable at a price of $0.35 per share for a period of five years from the date of grant. The 300,000 options granted for investor relations activities are subject to vesting conditions as follows: one-fourth 3 months after grant date; one-fourth 6 months after grant date; one-fourth 9 months after grant date and one-fourth 12 months after grant date.

For the nine months ended September 30, 2018, $227,626 (2017 - $Nil) has been recorded as share-based payment relating to options granted during the period. The fair value of stock options was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: Dividend yield 0%; expected annual volatility 100%; risk-free interest rate 1.60%; market share price of $0.35; forfeiture rate of 0% and expected life of 3 years. Expected volatility was based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.

(c) Warrants

	September 30, 2018		December 31, 2017	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of period	1,333,208	$0.25	1,838,331	$0.15
Issued	2,800,000	0.30	1,333,208	0.25
Exercised	(9,375)	(0.25)	(1,838,331)	(0.15)
Balance, end of period	4,123,833	$0.25	1,333,208	$0.25

The outstanding warrants have a weighted average remaining life of 0.80 years.

(Unaudited – Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

The aggregate amount of expenditures made to parties not at arm's length to the Company for the three and nine months ended September 30, 2018 and 2017 are:

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Accounting fees	18,914	-	26,252	-
Management fees	29,000	19,000	64,000	54,000
	47,914	19,000	90,252	54,000

During the three and nine months ended September 30, 2018, Paul Andreola, President and Director was paid or accrued management fees of $14,500 and $29,500 (2017 - $7,500 and $22,500), Colin Bowkett, Director was paid or accrued management fees of $14,500 and $29,500 (2017 - $7,500 and $22,500), Scott MacEachern, former Chief Financial Officer was paid or accrued management fees of $nil and $5,000 (2017 - $3,000 and $9,000) and Malaspina Consultants Inc., a company in which Natasha Tsai, Chief Financial Officer is an associate, was paid or accrued management fees of $18,914 and $26,252 (2017 - $nil and $nil).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, unless otherwise noted.

There were no post-employment benefits, termination benefits or other long-term benefits paid to key management personnel for the three and nine months ended September 30, 2018 and 2017.