INNOVATIVE PROPERTIES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Innovative Properties Inc.

We have audited the accompanying financial statements of Innovative Properties Inc., which comprise of the statements of financial position as at October 31, 2017 and 2016, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for years then ended, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Innovative Properties Inc. as at October 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Innovative Properties Inc.'s ability to continue as a going concern.

(signed) DMCL LLP

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
February 26, 2018

INNOVATIVE PROPERTIES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note		October 31, 2017		October 31, 2016
ASSETS					
Current Assets					
Cash and cash equivalents	4	$	292,023	$	453,463
Marketable securities	5		740,184		857,048
GST receivable			20,705		8,849
Loan receivable	6		-		50,000
Due from related parties	7		6,368		136,927
Deposit	8		380,000		-
			1,439,280		1,506,287
Non-current assets					
Equipment			425		807
		$	**1,439,705**	**$**	**1,507,094**
LIABILITIES					
Current liabilities					
Accounts payable	9	$	385,055	$	172,627
SHAREHOLDERS' EQUITY					
Share capital	10		2,008,082		2,008,082
Reserves	11		570,313		541,896
Deficit			(1,523,745)		(1,215,511)
			1,054,650		1,334,467
		$	**1,439,705**	**$**	**1,507,094**

Subsequent events (Note 15)

Approved for issuance by the Board of Directors on February 26, 2018

"Sonny Janda"	*"Parmjeet Johal"*
Director	Director

The accompanying notes are an integral part of the financial statements

INNOVATIVE PROPERTIES INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
For the years ended

	Note	October 31, 2017	October 31, 2016
Revenue	7	$ -	$ 642,700
Expenses			
Advertising and promotion		1,500	-
Amortization		382	399
Bad debts	7	19,331	104,747
Bank charges and interest		380	830
Filing and transfer agent fees		12,969	18,280
Management and consulting fees	7	368,000	110,800
Office and miscellaneous		3,727	2,634
Professional fees	7	39,270	30,060
Rent	7	18,000	264,000
Rent site improvement		-	109,281
Stock-based compensation	10	28,417	-
Salaries		2,000	151,436
		(493,976)	(792,467)
Other items			
Change in fair value of marketable securities	5	428,299	(213,116)
Gain (loss) on sale of marketable securities	5	(303,481)	18,803
Gain on settlement of financial instruments	7	104,500	-
Interest and other income		8,280	13,567
Write-off of loans receivable	6,7	(51,856)	(208,837)
Recovery of loan receivable	6	-	94,472
		185,742	(295,111)
Net loss before tax		(308,234)	(444,878)
Income tax recovery (expense)			
Current		-	841
Deferred		-	(160,145)
		-	(159,304)
Net and comprehensive loss for the year		**$ (308,234)**	**$ (604,182)**
Loss per share - basic and diluted		**$ (0.02)**	**$ (0.05)**
Weighted average number of shares outstanding		**16,414,966**	**13,048,957**

The accompanying notes are an integral part of the financial statements

INNOVATIVE PROPERTIES INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Share Capital		Reserves				
	Number of shares	Share Capital	Options reserves	Warrant reserves	Loan reserve	Deficit	Total
Balance, October 31, 2015	11,414,966	$ 1,758,082	$ 102,484	$ 315,908	$ 123,504	$ (611,329)	$ 1,688,649
Exercise of warrants	5,000,000	250,000	-	-	-	-	250,000
Net and comprehensive loss for the year	-	-	-	-	-	(604,182)	(604,182)
Balance, October 31, 2016	16,414,966	2,008,082	102,484	315,908	123,504	(1,215,511)	1,334,467
Stock-based compensation			28,417				28,417
Net and comprehensive loss for the year	-	-	-	-	-	(308,234)	(308,234)
Balance, October 31, 2017	**16,414,966**	**$ 2,008,082**	**$ 130,901**	**$ 315,908**	**$ 123,504**	**$ (1,523,745)**	**$ 1,054,650**

The accompanying notes are an integral part of the financial statements

INNOVATIVE PROPERTIES INC.
STATEMENTS OF CASHFLOWS
(Expressed in Canadian dollars)
For the years ended

	October 31, 2017	October 31, 2016
Operating activities		
Net loss for the year	$ (308,234)	$ (604,182)
Items not involving cash:		
Amortization	382	399
Change in fair value of marketable securities	(428,299)	213,116
Loss (gain) on sale of marketable securities	303,481	(18,803)
Gain on settlement of financial instruments	(104,500)	-
Stock-based compensation	28,417	-
Accrued interest income	(1,856)	(13,567)
Write-off of loans receivable	51,856	208,837
Bad debt expense	-	104,747
Deferred tax expense	-	160,145
Foreign exchange	-	(3,176)
Changes in non-cash working capital:		
Accounts receivable	130,559	112,137
GST receivable	(11,856)	(7,319)
Prepaid expenses	-	1,050
Accounts payable	306,928	129,158
Deferred revenue	-	(45,000)
Cash Flows provided by (used in) operating activities	**(33,122)**	**237,542**
Investing Activities		
Deposit	(380,000)	-
Proceeds from sale of marketable securities	241,682	90,095
Acquisition of marketable securities	-	(214,432)
Proceeds from the settlement of financial instruments	10,000	-
Acquisition of property and equipment	-	(676)
Loan	-	(50,000)
Proceeds from loan repayments	-	64,725
Advances to related parties	-	(229,397)
Cash flows used in investing activities	**(128,318)**	**(339,685)**
Financing Activity		
Shares issued on the exercise of warrants	-	250,000
Cash provided by financing activity	**-**	**250,000**
Change in cash and cash equivalents	(161,440)	147,857
Cash and cash equivalents, beginning	453,463	305,606
Cash and cash equivalents, ending	**$ 292,023**	**$ 453,463**

The accompanying notes are an integral part of the financial statements

1. Corporate Information

Innovative Properties Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on October 31, 2002. Subsequent to October 31, 2017, the Company agreed to acquire all of the issued and outstanding common shares of Modular Block Mining Inc. ("Modular"), an arms-length private company that designs and develops application software (Note 15). The Company has discontinued providing administrative services as it is no longer feasible. The Company's shares trade on the Canadian Securities Exchange ("CSE") under the symbol "INR".

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at October 31, 2017, the Company is not able to finance day to day activities through operations and incurs losses. The continuing operations of the Company are dependent upon its ability to identify a viable business opportunity and to attain profitable operations and generate funds therefrom. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs with loans from directors and companies controlled by directors and or private placement of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

The head office, principal address and records office of the Company are located at 4770 - 72nd Street, Delta, British Columbia, Canada V4K 3N3.

2. Statement of compliance

The financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were approved and authorized by the Board of Directors on February 26, 2018.

3. Basis of preparation and significant accounting standards

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments measured at fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

3. Basis of preparation and significant accounting standards (Continued)

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future periods include the recoverability and measurement of deferred tax assets, the valuation of common shares and warrants included in the marketable securities portfolio and impairment considerations for loans receivable.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether the collection of revenue is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Amortization is recorded using a straight – line over the estimated useful lives. The significant classes of equipment and their useful lives are as follows:

Computer equipment	3 years
Computer software	1 year

Impairment of assets

The Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized to profit or loss. The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use.

3. Basis of preparation and significant accounting standards (Continued)

Foreign currency translation
The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is also the Company's functional currency. Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Revenue recognition
Revenue consists of service revenue generated from management and consulting services. Revenue is recognized when services have been rendered, the amount can be measured reliably, collection is probable and cost incurred or to incur can be measured reliably.

Loss per Share
Basic earnings (loss) per share is calculated by dividing the net loss available to common shareholders for the period by the weighted-average number of common shares outstanding in the period. The Company uses the treasury stock method to calculate diluted loss per share. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. Diluted amounts are not present when the effect of the computations is anti-dilutive.

Share-based payments
The Company operates a stock option plan. Share-based payments to employees are measured at the fair value on the grant date of stock options and recognized over the vesting period. Share-based payments to non-employees are measured at fair value of goods or services received or otherwise at fair value of the share-based payments are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value is determined using the Black-Scholes option pricing model. The number of stock options expected to vest is reviewed and adjusted at the end of each reporting period.

Warrants
Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method. The fair value of the warrants is determined to be the difference between gross proceeds over the fair market value of the shares. If the proceeds from the offering are less than or equal to the fair market value of shares issued, a fair value of $Nil is assigned to the warrants.

3. Basis of preparation and significant accounting standards (Continued)

Income taxes

Current income tax
Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Financial instruments
The Company classifies its financial instruments in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instrument at initial recognition.

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

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

3. Basis of preparation and significant accounting standards (Continued)

Financial instruments (Continued)

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities and that the Company intends to hold to maturity. These assets are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale – These consist of non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains or losses are recognized in other comprehensive income (loss), except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase the asset.

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

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

As at October 31, 2017 and 2016, the Company does not have any derivative financial instruments.

Accounting standards issued but not yet applied

A number of new standards, and amendments to the standards and interpretations, are not yet effective for the year ended October 31, 2017, and have not applied in preparing these financial statements.

<u>IFRS 9 -Financial Instruments</u>
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

(Expressed in Canadian dollars)

3. Basis of preparation and significant accounting standards (Continued)

Accounting standards issued but not yet applied (Continued)

IFRS 9 - Financial Instruments (Continued)
IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company intends to adopt the standard when it becomes effective. The Company has not yet determined the impact of this standard on its financial statements, but does not anticipate that the impact will be significant. The Company may elect to designate its investments in marketable securities at fair value through profit or loss on adoption of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is currently mandatory for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect the adoption of this standard to impact its financial statements, as currently the Company does not earn revenues.

Other accounting standards with future effective dates are either not applicable or not expected to impact the Company's financial statements.

4. Cash and cash equivalents

		October 31, 2017		October 31, 2016
Cash held in bank accounts	$	281,943	$	443,380
Guaranteed investment certificates		10,080		10,083
	$	292,023	$	453,463

5. Marketable securities

The fair value of the Company's investments in common shares and share purchase warrants are as follows:

		October 31, 2017		October 31, 2016
Common Shares				
Fair value, beginning of the year	$	635,942	$	517,510
Additions		-		214,432
Dispositions		(332,977)		(71,283)
Change in fair value		422,886		(24,717)
Fair value, end of the year		725,851		635,942

(Expressed in Canadian dollars)

5. Marketable securities (Continued)

		October 31, 2017		October 31, 2016
Warrants				
Fair value, beginning of the year		221,106		409,505
Dispositions		(212,186)		-
Change in fair value		5,413		(188,399)
Fair value, end of the year		14,333		221,106
	$	**740,184**	**$**	**857,048**

During the year ended October 31, 2017, the Company realized a loss of $303,481 (2016: $(18,803)) in respect of its dispositions of marketable securities.

The fair value of the warrants was determined using the Black-Scholes option pricing model using the following weighted-average assumptions:

	October 31, 2017	October 31, 2016
Expected life of warrants	2.31 years	3.31 years
Annualized volatility	173%	163%
Risk-free interest rate	1.3%	0.59%
Dividend rate	0.0%	0.0%

6. Loans receivable

In November 2016, the Company loaned $50,000 to an arm's length party at an interest rate of 5% per annum. As at October 31, 2017, the Company had accrued interest income in the amount of $1,856 on this loan. As at October 31, 2017, the Company determined that this loan had become unrecoverable and thus recorded a write-off of $51,856 in its Statement of Comprehensive Loss for the year ended October 31, 2017.

During the year ended October 31, 2016, the Company advanced $50,000 to an arm's length party. The loan bore interest at 8% per annum and was repaid on January 30, 2017 along with interest of $1,000.

During the year ended October 31, 2017, the Company recorded a loan recovery of $nil (2016: $94,472).

(Expressed in Canadian dollars)

7. Related party transactions

Related party transactions

All transactions with related parties have occurred in the normal course of operations. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

		October 31, 2017		October 31, 2016
Management and consulting fees	$	-	$	4,300
Professional fees		17,000		15,500
Rent		18,000		261,000
	$	35,000	$	280,800

Related party balances

At October 31, 2017, the Company has balances receivable in the amount of $6,368 (2016:$136,927) from companies with directors in common.

During the year ended October 31, 2017, the Company earned $nil (2016 - $570,700) in revenue through service contracts with companies with common directors.

On March 8, 2017, the Company agreed with a related party to offset an account payable of $94,500 and an account receivable $109,036 and further, agreed to settle these amounts for consideration of $10,000. In respect of its collectability, the receivable had been previously provided for in its entirety. Thus, the Company recorded a gain on settlement of financial instruments in the amount of $104,500 in the statement of comprehensive loss for the year ended October 31, 2017.

During the year ended October 31, 2016, due to the uncertainty of their recoverability, the Company wrote off the following loans that had been advanced to companies with common directors and management:

- a loan of $22,578 including accrued interest thereon in the amount of $2,203
- a loan of $186,259 including accrued interest thereon in the amount of $6,259

During the year ended October 31, 2016, the Company wrote off $104,747 of trade receivables due from related parties due to uncertainties of collectability.

8. Deposit

On October 23, 2017, the Company advanced $380,000 to a related company for the purpose of participating in a debenture financing. Subsequent to October 31, 2017, the Company determined to withdraw its participation and the funds were returned to the Company.

(Expressed in Canadian dollars)

9. Trade payables and accrued liabilities

		October 31, 2017		October 31, 2016
Accounts payable	$	244,055	$	157,627
Accrued liabilities		141,000		15,000
	$	**385,055**	**$**	**172,627**

10. Share capital

Authorized share capital
Unlimited number of common shares without par value.

During the year ended October 31, 2016, the Company issued 5,000,000 common shares for gross proceeds of $250,000 pursuant to the exercise of warrants.

Stock options
The Company has a stock option plan whereby the Company may from time to time in accordance with the Exchange requirements grant to directors, officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 20% of the Company's common shares issued and outstanding at the time of granting stock options. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities position.

A continuity of the Company's stock options is as follows:

	Number of options		Weighted average exercise price
Options outstanding at October 31, 2016	-		-
Granted	600,000	$	0.10
Cancelled	(600,000)		0.10
Options outstanding at October 31, 2017		**$**	**-**

During the year ended October 31, 2017, the Company granted and subsequently cancelled 600,000 fully vested share purchase options to officers and directors. The Company recorded stock-based compensation having a fair value of $28,417 in connection with the share-based awards using the Black Scholes option pricing model with the following assumptions:

Risk free interest rate	1.11%
Dividend yield	0.00%
Expected volatility	184.85%
Expected life	5 years

(Expressed in Canadian dollars)

10. Share capital (Continued)

Warrants

	October 31, 2017			October 31, 2016		
	Number of warrants		Weighted average exercise price	Number of warrants		Weighted average exercise price
Balance, beginning	-	$	-	5,000,000	$	0.05
Warrants exercised	-		-	(5,000,000)		0.05
Balance, ending	**-**	$	**-**	**-**	$	**-**

11. Reserves

Option reserve

The option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded will remain in the account.

Warrant reserve

The warrant reserve records the fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded will remain in the account.

12. Income tax

The reconciliation of the income tax provision at the statutory tax rate to the reported income tax provision is as follows:

		October 31, 2017		October 31, 2016
Net loss for the year before tax	**$**	(308,234)		(444,878)
Statutory tax rate		26%		26%
Expected income tax recovery		(80,000)		(116,000)
Non-deductible expenses and non-taxable income		(2,000)		
Adjustment to prior year provision		14,000		(122,000)
Increase in unrecognized tax assets		68,000		52,000
Income tax expense (recovery)	**$**	-	$	(160,000)

(Expressed in Canadian dollars)

12. Income tax (Continued)

The Company has the following deferred tax assets and liabilities:

		October 31, 2017		October 31, 2016
Deferred tax assets				
Allowable capital losses	**$**	83,000	$	-
Non-capital losses		266,000		226,000
Canadian eligible capital		3,000		3,000
		352,000		229,000
Deferred tax liabilities				
Marketable securities		(72,000)		(17,000)
Net deferred tax assets		280,000		212,000
Unrecognized deferred tax assets		(280,000)		(212,000)
	$	-	$	-

As at October 31, 2017, the Company has approximately $1,024,000 of non-capital losses which can be carried forward to offset future taxable income as follows:

Year of expiry		
2029	$	196,000
2030		306,000
2031		71,000
2032		58,000
2036		41,000
2037		352,000
	$	1,024,000

13. Option agreement with Chimata Gold Corp.

On August 31, 2016, the Company entered into an option agreement with Chimata Gold Corp. ("Chimata"), a related party, wherein Chimata would earn 100% interests in the Company's Maggie claims located in British Columbia, Canada. Chimata will earn its interests by:

(i) Cash payment of $5,000 upon execution of the agreement. The Company recognized this amount as other income in the statement of comprehensive loss for the year ended October 31, 2017.
(ii) Cash payment of $50,000 on or before April 30, 2017. The Company has yet to receive this amount.
(iii) Incurring work costs of $50,000 on or before the end of December 31, 2016; and
(iv) Incurring further work costs of $50,000 before April 30, 2017.

As at October 31, 2017, the option agreement lapsed and the Company no longer held the mining claims.

14. Financial risk management and capital management

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows.

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

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign currency risk.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

Capital management
The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any internally imposed capital requirements.

(Expressed in Canadian dollars)

14. Financial risk management and capital management (Continued)

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

At October 31, 2017, the only financial instruments measured at fair value were the common shares included in the Company's marketable securities, which were measured at Level 1 under the fair value hierarchy (Note 5).

At October 31, 2017, the only financial instruments included in Level 3 under the fair value hierarchy were the warrants included in the Company's marketable securities (Note 5).

There were no transfers between the levels of the fair value hierarchy during the year.

15. Subsequent Events

Subsequent to October 31, 2017:

- By way of an assignment agreement, the Company executed a binding letter of intent ("LOI") with Modular whereby the Company will acquire 100% of the issued and outstanding securities of Modular in exchange for 68,500,000 common shares of the Company along with the issuance of 15,000,000 Performance Warrants that vest on completion of certain milestones. As a condition of the agreement, the Company agreed to undertake a financing to raise a minimum of $4,000,000 and up to $12,000,000 via the issuance of equity units at a price of $0.40 per unit.

- In connection with the LOI, the Company completed the first tranche of a financing via the issuance of 6,746,118 units at a price of $0.40 per unit for gross proceeds of $2,698,447. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder thereof to acquire an additional share at a price of $0.75 until August 14, 2019.

- The Company provided a $1,600,000 non-interest bearing, non-convertible loan to Modular. The loan is secured by a general security agreement and is payable on demand after it has been outstanding for 90 days.