INNOVATIVE PROPERTIES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

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, 2018 and 2017, 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, 2018 and 2017, 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.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
December 17, 2018

An independent firm associated with Moore Stephens International Limited
MOORE STEPHENS

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

	Note		October 31, 2018		October 31, 2017
ASSETS					
Current Assets					
Cash and cash equivalents	4	$	705,836	$	292,023
Marketable securities	5		167,052		740,184
Receivables			6,646		20,705
Due from related parties	7		-		6,368
Prepaid	8		35,000		380,000
			914,534		1,439,280
Non-Current Assets					
Equipment	6		200,000		425
TOTAL ASSETS		$	1,114,534	$	1,439,705
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade payables and accrued liabilities	9	$	264,033	$	385,055
TOTAL LIABILITIES			264,033		385,055
SHAREHOLDERS' EQUITY					
Share capital	10		4,513,498		2,008,082
Advance subscriptions	10		687,500		-
Reserves	11		2,326,938		570,313
Deficit			(6,677,435)		(1,523,745)
TOTAL SHAREHOLDERS' EQUITY			850,501		1,054,650
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	1,114,534	$	1,439,705

Nature of operations	1
Subsequent Events	14

On Behalf of the Board

"Kevin Ma"
Director

"Shay Shnet"
Director

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

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

	Note	October 31, 2018	October 31, 2017
Expenses			
Advertising and promotion		$ 1,119	$ 1,500
Amortization		425	382
Bad debts		-	19,331
Bank charges and interests		1,935	380
Consulting fees	7	817,265	-
Filing and transfer agent fees		24,427	12,969
Management fees	7	62,107	368,000
Office and miscellaneous		12,023	3,727
Professional fees	7	334,069	39,270
Rent	7	6,300	18,000
Stock-based compensation	10	-	28,417
Salaries		-	2,000
		1,259,670	493,976
Other Items			
Change in fair value of marketable securities	5	(270,265)	428,299
Gain (loss) on sale of marketable securities	5	148,723	(303,481)
Gain on settlement of financial instruments	7	-	104,500
Foreign exchange gain		23	-
Gain on sale of loan receivable	6	40,000	-
Other income		8,204	8,280
Write-off of GST receivable		(20,705)	-
Write-off of loans receivable	6	(3,800,000)	(51,856)
		(3,894,020)	185,742
Net and comprehensive loss for the year		$ (5,153,690)	$ (308,234)
Basic and diluted loss per share		$ (0.21)	$ (0.02)
Weighted Average Number of Common Shares Outstanding		24,034,822	13,048,957

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

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

	Issued Common Shares		Reserves				
	Number of Shares	Amount	Options Reserves	Warrant Reserves	Loan Reserves	Deficit	Total
Balance at October 31, 2016	16,414,966	$ 2,008,082	$ 102,484	$ 315,908	$ 123,504	$ (1,215,511)	$ 1,334,467
Net and comprehensive loss	-	-	-	-	-	(308,234)	(308,234)
Stock-based compensation	-	-	28,417	-	-	-	28,417
Balance at October 31, 2017	16,414,966	2,008,082	130,901	315,908	123,504	(1,523,745)	1,054,650
Private placement	11,183,899	2,882,442	-	1,591,118	-	-	4,473,560
Share issuance costs	-	(377,026)	-	-	-	-	(377,026)
Finders' fee warrants	-	-	-	165,507	-	-	165,507
Net and comprehensiveloss	-	-	-	-	-	(5,153,690)	(5,153,690)
Balance at October 31, 2018	27,598,865	$ 4,513,498	$ 130,901	$ 2,072,533	$ 123,504	$ (6,677,435)	$ 163,001

See notes 10 and 11.

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

INNOVATIVE PROPERTIES INC.

STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

For the years ended

	October 31, 2018	October 31, 2017
Operating Activities		
Loss for the year	$ (5,153,690)	$ (308,234)
Adjustment for non-cash items		
Amortization	425	382
Change in fair value of marketable securities	274,176	(428,299)
Loss (gain) on sale of marketable securities	(152,634)	303,481
Gain on settlement of financial instruments	-	(104,500)
Stock-based compensation	-	28,417
Accrued interest income	-	(1,856)
Write-off of receivables	20,705	-
Write-off of loans receivable	3,800,000	51,856
Changes in non-cash working capital items		
Accounts receivable	(6,646)	130,559
GST receivable	-	(11,856)
Prepaid and deposits	(35,000)	-
Due from related parties	6,368	-
Trade payables and accrued liabilities	(237,721)	306,928
Net cash flow used in operating activities	(1,484,017)	(33,122)
Investing Activities		
Proceeds from sale of marketable securities	451,590	241,682
Proceeds from settlement of financial instruments	-	10,000
Loans receivable	(4,000,000)	-
Deposit	380,000	(380,000)
Net cash flow used in investing activities	(3,168,410)	(128,318)
Financing Activities		
Issuance of shares for cash, net	4,378,740	-
Advance subscriptions	687,500	-
Net cash flows provided by financing activities	5,066,240	-
Change in cash during the year	413,813	(161,440)
Cash, beginning of year	292,023	453,463
Cash, end of year	$ 705,836	$ 292,023

Non-cash transactions:

(i) The Company recorded $116,699 in share issuance costs in trade payables and accrued liabilities;

(ii) The Company recorded a fair value of $1,591,118 for warrants issued as part of private placements, and

(iii) The Company recorded a fair value of $165,507 for brokers' warrants issued as part of private placements.

There were no non-cash transactions during the year ended October 31, 2017

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

1. Nature and Continuance of Operations

Innovative Properties Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on October 31, 2002. During the year ended October 31, 2017, the Company discontinued its previous business of providing administrative services. The head office, principal address and records office of the Company are located at Unit 488, 1090 West Georgia Street, Vancouver, British Columbia, Canada V6E 3V7.

On January 30, 2018, the Company executed a binding letter of intent with Modular Block Mining Inc. ("Modular"), an arms-length private company, whereby the Company would acquire 100% of the issued and outstanding securities of Modular. Prior to the year-ended October 31, 2018, the Company decided not to proceed with the proposed transaction. The Company is continually evaluating potential investments in blockchain industries and in the cannabis industry. See Note 14.

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 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, 2018, the Company is not able to finance its 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.

2. Statement of Compliance and Basis of Preparation

Statement of Compliance

These financial statements have been prepared in accordance 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 December 17, 2018.

Basis of Preparation

These 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.

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 marketable securities, the recoverability of trade receivables 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.

3. Significant Accounting Policies

a. 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.

b. 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 as a straight-line over the estimated useful lives. The significant classes of equipment and their useful lives are as follows:

Computer equipment	3 years
Crypocurrency mining equipment	3 years
Computer software	1 year

c. 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. Significant Accounting Policies (cont'd)

d. 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 rate 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 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). When the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

e. Loss per Share

Basic 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.

f. 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.

3. Significant Accounting Policies (cont'd)

g. 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 using the Black-Scholes option pricing model. If the proceeds from the offering are less than or equal to the fair market value of warrants issued, a fair value of $nil is assigned to the shares.

h. 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.

3. Significant Accounting Policies (cont'd)

i. 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 valuation 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 payment 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.

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.

3. Significant Accounting Policies (cont'd)

i. Financial Instruments (cont'd)

Available-for-Sale

These consist of non-derivative financial assets that are designated as available-for-sales 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, i.e. 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 risk 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, 2018 and 2017, the Company does not have any derivative financial instruments.

(Expressed in Canadian dollars)

3. Significant Accounting Policies (cont'd)

j. Accounting Standards Issued but Not Yet Applied

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after November 1, 2018 or later periods. The following new standards have not been early adopted in these consolidated financial statements, and is not expected to have a material effect on the Company's future results and financial position:

(i) IFRS 9 "Financial Instruments"
(ii) IFRS 16 "Leases"

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

4. Cash and Cash Equivalents

		October 31, 2018		October 31, 2017
Cash held in bank accounts	$	705,836	$	281,943
Guaranteed investment certificate		-		10,080
	$	705,836	$	292,023

5. Marketable Securities

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

		October 31, 2018		October 31, 2017
Common Shares				
Fair value, beginning	$	725,851	$	635,942
Dispositions		(302,867)		(332,977)
Change in fair value		(422,859)		422,886
Fair value, end	$	125	$	725,851

(Expressed in Canadian dollars)

5. Marketable Securities (cont'd)

		October 31, 2018		October 31, 2017
Warrants				
Fair value, beginning	$	14,333	$	221,106
Dispositions		-		(212,186)
Change in fair value		152,594		5,413
Fair value, end	$	166,927	$	14,333
Total	$	167,052	$	740,184

During the year ended October 31, 2018, the Company realized a gain of $148,723 (2017 – loss of $303,481) with respect to 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, 2018	October 31, 2017
Expected life of warrants	1.06 years	2.31 years
Annualized volatility	116%	173%
Risk-free interest rate	2.2%	1.3%
Dividend rate	0.0%	0.0%

6. Loans Receivable

Concurrent to the proposed transaction (Note 1), the Company provided loans in the amount of $1,600,000 and $2,400,000 to Modular. The loans were non-interest bearing, payable on demand and secured by general security agreements. During the year ended October 31, 2018, the Company determined that the loans had become unrecoverable and entered into an Appointment of Receiver agreement dated August 10, 2018, pursuant to which the Company exercised its rights under the general security agreements. In lieu of repayment of the aforementioned loans, and pursuant to an agreement dated October 29, 2018, the Company acquired the right, title and interest in and to certain assets, valued at $200,000. Accordingly, the Company recorded a write-down of the loans receivable $3,800,000 in its Statement of Comprehensive Loss for the year ended October 31, 2018. As at October 31, 2018, the equipment has not been put in use.

(Expressed in Canadian dollars)

6. Loan Receivable (cont'd)

During the year ended October 31, 2018, the Company recorded a gain of $40,000 (October 31, 2017 - $nil) from selling previously written-off loan receivable to a non-arm's length party.

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.

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, 2018		October 31, 2017
Consulting fees	$	384,429	$	-
Management fees		8,400		-
Professional fees		80,395		17,000
Rent		-		18,000
	$	473,224	$	35,000

(Expressed in Canadian dollars)

7. Related Party Transactions (cont'd)

Related Party Balances

At October 31, 2018, the Company had balances receivable in the amount of $nil (October 31, 2017 - $6,368) from companies with directors in common.

As at October 31, 2018, an outstanding balance of $46,684 (2017 - $nil) of consulting, professional and management fees to a company related to the CEO, and an outstanding balance of $1,820 (2017 - $nil) of professional fees to a company related to the CFO are included in trade payables and accrued liabilities.

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.

8. Prepaid

As at October 31, 2018, the Company prepaid $35,000 (2017 - $nil) for consulting and professional fees.

On October 23, 2017, the Company had advanced $380,000 to a related company for the purpose of participating in a debenture financing. During the year ended October 31, 2018, the Company determined to withdraw its participation and the funds were returned to the Company.

9. Trade Payables and Accrued Liabilities

	October 31, 2018	October 31, 2017
Trade payables	$ 233,879	$ 244,055
Accrued liabilities	30,154	141,000
	$ 264,033	$ 385,055

10. Share Capital

Authorized Share Capital

Unlimited number of common shares without par value.

Advance Subscriptions

Advance subscriptions consist of funds the Company received in advance for a private placement which closed subsequent to year-end (note 14).

Share Issuances

In February 2018, the Company closed its first tranche of a private placement financing consisting of 6,746,116 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 common share purchase warrant. Each whole warrant entitles the holder to acquire an additional share at a price of $0.75 per share until August 14, 2019. In March 2018, the Company closed its second and third tranches of its private placement financing consisting of 4,437,781 units at a price of $0.40 per unit for gross proceeds of $1,775,112. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.75 per share for until September 12, 2019.

Total proceeds raised from this private placement were $4,473,560. The fair value of the total warrants issued in the private placements was estimated to be $1,737,608 and the residual value, $2,735,952, was assigned to the common shares.

In addition, the Company paid an aggregate of $211,490 in cash commission to eligible finders and issued 528,796 broker's warrants to purchase up to 528,796 common shares for 18 months following the issuance date. The broker's warrants were allocated a fair value of $184,672, estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.78% - 1.79%, an expected life of 1.5 years, an expected volatility of 114% - 141% and no expected dividends.

(Expressed in Canadian dollars)

10. Share Capital (Cont'd)

Share Issuance

There were no share issuances during the year ended October 31, 2017.

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
Balance at October 31, 2016	-	$ -
Granted	600,000	0.10
Cancelled	(600,000)	0.10
Balance at October 31, 2017 and 2018	-	$ -

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 (Cont'd)

Warrants

A continuity of the Company's warrants is as follows:

	Number of Common Share Purchase Warrants	Number of Brokers' Warrants	Weighted Average Exercise Price
Balance at October 31, 2017	-	-	$ -
Issued	5,591,949	528,796	0.75
Balance at October 31, 2018	5,591,949	528,796	$ 0.75

The weighted average life remaining of these warrants outstanding at October 31, 2018 is 0.82 years.

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.

Loan reserve

The loan reserve records the equity portion of convertible debentures issued in 2010.

(Expressed in Canadian dollars)

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, 2018		October 31, 2017
Net loss for the year before tax	$	(5,153,690)	$	(308,234)
Statutory tax rate		26%		26%
Expected income tax recovery		(1,340,000)		(80,000)
Non-deductible expenses and non-atxable income		902,000		(2,000)
Adjustment to prior year provision		-		14,000
Increase in unrecognized tax assets		438,000		68,000
Income tax expense (recovery)	$	-	$	-

The Company has the following deferred tax assets and liabilities:

		October 31, 2018		October 31, 2017
Deferred tax assets				
Share issuance costs	$	78,000	$	-
Allowable capital losses		43,000		83,000
Non-capital losses		619,000		266,000
Canadian eligible capital		3,000		3,000
		743,000		352,000
Deferred tax liabilities				
Marketable securities		(22,000)		(72,000)
Net deferred tax assets		721,000		280,000
Unrecognized deferred tax assets		(721,000)		(280,000)
	$	-	$	-

As at October 31, 2018, the Company has approximately $2,370,000 of non-capital losses which can be carried forward to offset future taxable income.

13. 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 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 a 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.

13. Financial Risk Management and Capital Management (cont'd)

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 capital management during the year. The Company is not subject to any internally imposed capital requirements.

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

13. Financial Risk Management and Capital Management (cont'd)

Fair Value **(cont'd)**

At October 31, 2018, 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 (see Note 5).

At October 31, 2018, the only financial instruments included in Level 3 under the fair value hierarchy were the warrants included in the Company's marketable securities (see Note 5).

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

14. Subsequent Events

In November 2018, the Company announced that it had cancelled its LOI with Modular Block Mining Inc., and at the same time, the Company has acquired 1,406 Canaan Bitcoin mining machines in exchange for full repayment of the Company's $4,000,000 loan to Modular.

In November 2018, the Company closed a non-brokered private placement offering of 40,000,000 shares at a price of $0.05 per share for gross proceeds of $2,000,000. In connection with this offering, the Company paid finders' fees of $62,500 in shares and 1,250,000 non-transferable broker's warrants to eligible finders. Each broker's warrant entitles the holder to acquire one common share at a price of $0.05 per share for a period of two years from the date of issuance.

In November 2018, the Company announced its intention to focus its business in the US cannabis sector, and changed the name of the business to Nabis Holdings Inc. and CSE ticker symbol to "NAB".

In November 2018, the Company granted an aggregate of 5,300,000 incentive stock options to directors, officers and consultants to purchase up to 5,300,000 common shares of the Company. The stock options have an exercise price of $0.16 per share and expire five years from date of grant.

14. Subsequent Events (cont'd)

In November 2018, the Company announced a second non-brokered private placement offering of 23,333,333 shares at a price of $0.15 per share for gross proceeds of approximately $3,500,000. On November 21, 2018, the Company closed the first tranche of this non-brokered private placement, offering 14,591,498 shares of the Company at $0.15 per share for gross proceeds of approximately $2,200,000. In connection with this offering, the Company paid eligible finders a fee of $153,123 paid in shares. In addition, 1,020,820 transferable broker's warrants (the "Broker's warrants") were issued to eligible finders. Each Broker's Warrant entitles the holder to acquire one share at a price of $0.15 per share for a period of two years from the date of issuance.

On November 26, 2018, the Company closed the second and final tranche of the second non-brokered private placement, offering 8,741,836 shares of the Company at a price of $0.15 per share for gross proceeds of approximately $1,300,000. Combined with the first tranche, total gross proceeds raised was approximately $3,500,000. In connection with this offering, the Company paid eligible finders a fee of $69,352 paid in shares. In addition, 462,347 transferable broker's warrants (the "Broker's Warrants") were issued to eligible finders. Each Broker's Warrant entitles the holder to acquire one share at a price of $0.15 per share for a period of two years from the date of issuance.

In November 2018, the Company entered into a consulting agreement with a non-related third party to provide capital market advisory services. Remuneration for the services is as follow:

- one time work fee of $340,000 plus applicable taxes to be paid upon signing of agreement (paid in November 2018);
- monthly work fee of $7,500 plus applicable taxes;

14. Subsequent Events (cont'd)

- in the event that the Company completes any financing transaction ("Financing Transaction") negotiated or completed during the term of the agreement or completed during the twelve-month period following the termination of the agreement, the Company pays the consultant on the closing of each Financing Transaction:

    - cash fee equal to:
        - in respect of investors who were introduced or sourced, directly or indirectly, by the consultant, 7.0%; and
        - in respect of all other investors (whether or not the consultant was involved in the transaction), 1.0%.

      of the gross proceeds of any capital raised in connection with a Financing Transaction; and

    - warrants to purchase shares, indebtedness or convertible securities of the Company issued as part of a Financing Transaction equal to:

        i. In respect of investors who were introduced or sourced, directly or indirectly, by the consultant, 7.0%; and
        ii. In respect of all other investors (whether or not the consultant was involved in the transaction), 1.0%.

      of the aggregate number of shares, indebtedness or convertible securities issued under the Financing Transaction at the issue price per security under the Financing Transaction, such warrants exercisable for a period of two years from the date of the closing of Financing Transaction.

- In the event that the Company completes any mergers and acquisition transaction ("M&A Transaction") with a party introduced, directly or indirectly, to the Company by the consultant negotiated, announced, completed or in respect of which an agreement was entered into during the term of the agreement or the twelve-month period following the termination of the agreement, pay the consultant on the closing the M&A Transaction a cash fee equal to 3.0% of the transaction value of the M&A Transaction.

14. Subsequent Events (cont'd)

Also in November 2018, the Company entered into a consulting agreement with another non-related third party to provide capital market advisory services. Remuneration for the services is as follow:

- one time work fee of $170,000 plus applicable taxes to be paid upon signing of agreement (paid in November 2018);
- monthly work fee of $7,500 plus applicable taxes;
- in the event that the Company completes any Financing Transaction negotiated or completed during the term of the agreement or completed during the twelve-month period following the termination of the agreement, the Company pays the consultant on the closing of each Financing Transaction:

    - cash fee equal to:
        i. in respect of investors who were introduced or sourced, directly or indirectly, by the consultant, 7.0%; and
        ii. in respect of all other investors (whether or not the consultant was involved in the transaction), 1.0%.

        of the gross proceeds of any capital raised in connection with a Financing Transaction; and

    - warrants to purchase shares, indebtedness or convertible securities of the Company issued as part of a Financing Transaction equal to:
    -
        i. In respect of investors who were introduced or sourced, directly or indirectly, by the consultant, 7.0%; and
        ii. In respect of all other investors (whether or not the consultant was involved in the transaction), 1.0%.

        of the aggregate number of shares, indebtedness or convertible securities issued under the Financing Transaction at the issue price per security under the Financing Transaction, such warrants exercisable for a period of two years from the date of the closing of Financing Transaction.

14. Subsequent Events (cont'd)

- In the event that the Company completes any M&A Transaction with a party introduced, directly or indirectly, to the Company by the consultant negotiated, announced, completed or in respect of which an agreement was entered into during the term of the agreement or the twelve-month period following the termination of the agreement, pay the consultant on the closing the M&A Transaction a cash fee equal to 3.0% of the transaction value of the M&A Transaction.