WESTCOT VENTURES CORP.
(Formerly Sparrow Ventures Corp.)

Financial Statements
Years Ended January 31, 2018 and 2017

(Expressed in Canadian Dollars)

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(Formerly Sparrow Ventures Corp.)
Index to the Financial Statements
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Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Westcot Ventures Corp.,

We have audited the accompanying financial statements of Westcot Ventures Corp. which comprise the statement of financial position as at January 31, 2018 and 2017, and the statements of operations and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and the related notes comprising 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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Westcot Ventures Corp. as at January 31, 2018 and 2017, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Westcot Ventures Corp. to continue as a going concern.

Jackson and Company
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia
May 30, 2018

WESTCOT VENTURES CORP.
(Formerly Sparrow Ventures Corp.)
Statements of Financial Position
As at January 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	January 31, 2018	January 31, 2017
		$	$
ASSETS			
CURRENT			
Cash		195,515	301
GST receivable		11,733	8,923
Prepaid expenses	5	200,867	-
		408,115	9,224
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	6	43,962	166,611
Loans payable	7	25,960	51,448
Current portion of convertible debentures	8	17,935	-
		87,857	218,059
NON-CURRENT			
Convertible debentures	8	9,056	44,580
		96,913	262,639
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	9	1,998,618	1,010,618
Reserves	10	105,298	105,298
Deficit		(1,792,714)	(1,369,331)
		311,202	(253,415)
		408,115	9,224

Nature of operations and going concern (Note 1)
Subsequent event (Note 16)

Approved on behalf of the board:

"Michael Young"
Michael Young, Director

"Henry Chow"
Henry Chow, Director

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

WESTCOT VENTURES CORP.
(Formerly Sparrow Ventures Corp.)
Statements of Operations and Comprehensive Loss
For the Years Ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	2018	2017
EXPENSES			
Accounting, audit and legal		$ 49,835	$ 35,210
Consulting fees	11	331,917	122,833
Directors fees	11	16,667	2,500
Office, rent and administration		1,153	269
Regulatory fees		9,213	32,062
Transfer agent and shareholder information		8,504	5,961
Travel and promotion		5,581	-
LOSS BEFORE OTHER ITEMS		(422,870)	(198,835)
OTHER ITEMS			
Gain on change in fair value of derivative liability	8	23,941	-
Gain on forgiveness of debt	6,7	19,324	-
Finance costs	11	(46,108)	(5,296)
Other income		2,330	-
		(513)	(5,296)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(423,383)	(204,131)
BASIC AND DILUTED LOSS PER SHARE		$ (0.14)	$ (0.15)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUSTANDING – BASIC AND DILUTED		3,013,284	1,365,830

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

WESTCOT VENTURES CORP.

(Formerly Sparrow Ventures Corp.)

Statements of Changes in Shareholders' Equity (Deficiency)

For the Years Ended January 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Reserves	Deficit	Total
			$	$	$	$
Balance, January 31, 2016		1,365,830	1,010,618	98,714	(1,165,200)	(55,868)
Equity component of debt	8	-	-	6,584	-	6,584
Net loss for the year		-	-	-	(204,131)	(204,131)
Balance, January 31, 2017		1,365,830	1,010,618	105,298	(1,369,331)	(253,415)
Shares issued for cash	9	5,555,555	750,000	-	-	750,000
Shares issued for convertible debt	8,9	1,830,763	238,000		-	238,000
Net loss for the year		-	-	-	(423,383)	(423,383)
Balance, January 31, 2018		8,752,148	1,998,618	105,298	(1,792,714)	311,202

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

WESTCOT VENTURES CORP.
(Formerly Sparrow Ventures Corp.)
Statements of Cash Flows
For the Years Ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	$	$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	(423,383)	(204,131)
Items not involving cash:		
Finance costs	46,108	5,296
Gain on forgiveness of debt	(19,324)	-
Gain on change in fair value of derivative liability	(23,941)	-
Changes in non-cash working capital accounts:		
GST receivable	(2,810)	(7,263)
Prepaid expenses	(200,867)	-
Accounts payable and accrued liabilities	(117,149)	133,464
NET CASH USED IN OPERATING ACTIVITIES	(741,366)	(72,634)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	750,000	-
Proceeds from loans	25,000	23,800
Repayment of loans	(15,661)	-
Proceeds from convertible debentures	177,241	48,959
NET CASH PROVIDED BY FINANCING ACTIVITIES	936,580	72,759
INCREASE IN CASH	195,214	125
Cash, beginning of year	301	176
CASH, END OF YEAR	195,515	301
NON-CASH FINANCING ACTIVITY		
Loan payable converted to convertible debenture (Note 7)	23,800	-

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

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Westcot Ventures Corp. (formerly Sparrow Ventures Corp.) (the "Company") was incorporated on July 4, 2006, under the laws of the Business Corporations Act (British Columbia). Effective June 17, 2014, the Company's listing was transferred to the NEX board of the TSX Venture Exchange (the "Exchange") due to the Company's failure to maintain the requirements for a TSX Venture Tier 2 company. Effective June 29, 2015, trading in the shares of the Company was suspended due to the Company's failure to maintain the services of a transfer agent in accordance with the policies of the Exchange. In addition, effective October 6, 2015, and October 26, 2015, the British Columba Securities Commission and the Ontario Securities Commission, respectively, issued cease trade orders that all trading in the securities of the Company cease until it files all necessary continuous disclosure records. These cease trade orders were revoked in February 2017 after the Company filed all requisite continuous disclosure documents in December 2016. In September 2017, the Company's shares were reinstated for trading on the NEX board of the Exchange.

The head office, principal address, and records office of the Company are located at Suite 1080, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company's registered office address is located at Suite 700, 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is engaged in the acquisition, exploration, and development of resource properties. The Company currently does not hold any mineral property interests and is actively evaluating mineral properties to acquire or option.

These financial statements have been prepared on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions as set out below cast significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon the identification and acquisition of resource properties, financial support from its creditors, shareholders, and related parties, its ability to obtain financing to fund working capital requirements and upon the attainment of future profitable operations.

The Company has not yet achieved profitable operations, has incurred significant operating losses and negative cash flows from operations, and has been reliant on external debt and equity financing. As at January 31, 2018, the Company has accumulated losses of $1,792,714 since inception. There is no assurance that the Company will be successful in generating and maintaining profitable operations or in securing future debt or equity financing for its working capital and development activities.

These financial statements do not reflect any adjustments to the amounts and classifications of assets and liabilities, which would be necessary should the Company be unable to continue as a going concern.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorized for issue on May 30, 2018 by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of Presentation

These financial statements have been prepared on a historical cost basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, that are readily convertible to a known amount of cash, and which are subject to insignificant risk of changes in fair value to be cash equivalents.

(c) Share Capital

Share capital includes cash consideration received for share issuances. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Common shares issued for non-monetary consideration is recorded at an amount based on their fair market value on the date of issue. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing price on the issuance date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to deficit.

Consideration received for the exercise of options or warrants is recorded in share capital and the related residual value is transferred to share capital. For those warrants that expire, the recorded value is transferred to expired warrants reserve in equity.

(d) Share-Based Payments

The Company operates an employee stock option plan.

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve.

The fair value of options is determined using the Black–Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are reversed in the period the forfeiture occurs.

Upon the exercise of stock options, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(f) Income Taxes

Tax expense recognized in the statement of operations comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

(i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(g) Loss per Share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive. The diluted loss per share does not include the effect of stock options, warrants and convertible debentures as they are anti-dilutive. At January 31, 2018, the total number of potentially dilutive warrants was 7,386,318 (2017 - Nil) the total number of potentially dilutive stock options was 495,000 (2017 – 495,000) and the total number of shares and warrants that could be issued upon conversion of convertible debentures was 184,615 (2017 – 753,215). The aggregate number of potentially dilutive shares was 8,065,933 (2017 – 1,248,215).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Comprehensive Loss

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by shareholders and distributions to shareholders. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with IFRS, require recognition, but are excluded from net income (loss). The Company does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the year. Net loss for the year is equivalent to comprehensive loss for the year.

(i) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the statements of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Financial instruments are initially measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale, and other financial liabilities.

(i) Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss are either 'held-for-trading' or classified at fair value through profit or loss. They are initially and subsequently recorded at fair value and changes in fair value are recognized in the statement of operations and comprehensive loss for the period. The Company does not have any financial asset classified in this category as at January 31, 2018 and 2017.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company has designated its cash and GST receivable as loans and receivables.

(iii) Held-to-Maturity Financial Assets

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost. The Company does not have any financial assets classified as held-to-maturity financial assets.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

(iv) Available-For-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than impairment losses are recognized in other comprehensive income (loss) and presented in the fair value reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, losses accumulated in the fair value reserve recognized in shareholders' equity are included in profit or loss. The Company does not have any financial assets classified as available-for-sale financial assets.

(v) Financial Liabilities at Amortized Cost

Financial liabilities at amortized cost are non-derivative financial liabilities (excluding financial guarantees) that are recorded at the date of obligation at fair value and are subsequently measured at amortized cost using the effective interest method.

The Company's non-derivative financial liabilities include accounts payable and accrued liabilities and loans payable.

(vi) Other Financial Liabilities

Other financial liabilities are initially measured at fair value less any directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. The Company's other financial liabilities are its convertible debentures.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(a) Share-Based Compensation

The Company grants stock options to directors, officers, employees, and consultants of the Company under its incentive stock option plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management is required to make certain assumptions and estimates such as the life of options, volatility, and forfeiture rates. Changes in assumptions used to estimate fair value could result in materially different results.

(b) Deferred Tax Assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2018 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective for the Company's financial statements for the year ending January 31, 2019 or later:

(a) IFRS 9 – Financial Instruments: Classification and Measurement

Issued by the IASB July 2014, effective for the annual periods beginning January 1, 2018.

FRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Classification and measurement of financial assets:
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- Classification and measurement of financial liabilities:
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss).

(Expressed in Canadian Dollars)

NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

(a) IFRS 9 – Financial Instruments: Classification and Measurement (Continued)

- Impairment of financial assets:
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- Hedge accounting:
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

  The Company does not expect the adoption of this standard to have a material effect on its financial statements.

(b) IFRS 16 – Leases

IFRS 16, Leases ("IFRS 16") In January 2016, the IASB issued IFRS 16 - Leases which replaces IAS 17 - Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently assessing the impact of IFRS 16.

NOTE 5 – PREPAID EXPENSES

Prepaid expenses consist of $200,000 of prepaid consulting fees on contracts of a one-year duration and prepaid regulatory fees of $867.

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2018 $	January 31, 2017 $
Trade payables	14,735	114,954
Accrued liabilities	29,227	51,657
	43,962	166,611

(Expressed in Canadian Dollars)

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (Continued)

Included in trade payables are amounts due to related parties of $4,500 (2017 - $1,116) and included in accrued liabilities are amounts due to related parties of $9,167 (2017 - $26,475). Refer to Note 11. These payables are unsecured, non-interest bearing and due on demand.

A settlement agreement was entered into by the Company with a supplier during the year ended January 31, 2018 resulting in the forgiveness of a trade payable balance of $5,500.

NOTE 7 – LOANS PAYABLE

	January 31, 2018 $	January 31, 2017 $
Loan payable of $20,326 at 12% (a)	15,559	27,648
Interest-free advance (b)	-	23,800
Loan payable of $10,000 at 12% (d)	10,401	-
	25,960	51,448

(a) The Company entered into loan agreements dated May 28, 2014 (the "Loans"), with its former Chief Executive Officer and a former director of the Company ("the Lenders") for the total principal amount of $20,326. The Loans are unsecured and bear interest at 12% per annum. In consideration for the Loans, the Company issued an aggregate of 67,800 common shares to the Lenders at a fair value of $3,390 which was recorded as finance cost during the year ended January 31, 2016.

During the year ended January 31, 2018, the Loan from the former Chief Executive Officer, in the amount of $13,824, was forgiven and the forgiveness of debt was included in the statement of operations and comprehensive loss for the current year. During the year ended January 31, 2018, the Company accrued $1,735 (2017 - $1,545) in interest expense on the Loan which remains outstanding as at January 31, 2018. The remaining balance of $15,559 was paid subsequent to January 31, 2018.

(b) In December 2016 and January 2017, the Company received $23,800 in interest free advances from two arms-length parties to be exchanged for convertible debentures upon the receipt of Exchange approval for tranche three of the Company's convertible debenture issue. These advances were exchanged for convertible debentures during the year ended January 31, 2018 (See Note 8).

(c) On July 31, 2017, the Company entered into a loan agreement for $15,000. The loan was unsecured, bore interest at 12% per annum and had a maturity date of July 31, 2018. The loan, including accrued interest of $661, was repaid during the year ended January 31, 2018. Total interest and accretion recorded on the loan was $1,423.

(d) On October 7, 2017, the Company entered into a loan agreement for $10,000. The loan is unsecured, bears interest at 12% per annum and matures on October 7, 2018. During the year ended January 31, 2018, the Company accrued $401 in interest on the loan.

(Expressed in Canadian Dollars)

NOTE 8 – CONVERTIBLE DEBENTURES

	Debentures carried at amortized cost	**Derivative liability**	**Interest accrued**	**Total**	**Equity component**
	$	$	$	$	$
Issuance of first and second tranche of debentures (a)	42,375	-	-	42,375	6,584
Interest expense	-	-	1,564	1,564	-
Accretion expense	641	-		641	
Balance at January 31, 2017	**43,016**	**-**	**1,564**	**44,580**	**6,584**
Issuance of third and fourth tranche of debentures (b)	177,100	23,941	-	201,041	-
Interest expense	-	-	13,006	13,006	-
Accretion expense	30,305	-	-	30,305	-
Conversion to common shares (c)	(238,000)	-	-	(238,000)	-
Change in fair value of derivative liability	-	(23,941)	-	(23,941)	-
Balance at January 31, 2018	**12,421**	**-**	**14,570**	**26,991**	**6,584**
Current portion				**17,935**	
Long-term portion				**9,056**	

(a) On September 14, 2016 and December 9, 2016, the Company issued the first and second tranches of secured convertible debentures with an aggregate face value of $48,959. The debentures mature 24 months from the date of issue, accrue interest at a rate of 11% per year and were initially convertible into units of the Company at a per unit conversion price equal to the 10-day post-consolidated average closing price of the common shares of the Company on the NEX following the resumption of trading subject to a $0.05 minimum. The price was subsequently determined to be $0.13 per share. Each unit is comprised of one common share and one share purchase warrant of the Company. Each share purchase warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.13 per share. The Company's obligations under the debentures are secured by a general security agreement. The debentures were initially recognized at their face value of $48,959 less the value of the equity component of $6,584 for a net amount of $42,375.

Tranche one of the debentures matures on September 14, 2018, and tranche two of the debentures matures on December 9, 2018. Interest on the debentures is payable on the maturity date.

(b) On March 16, 2017 and June 2, 2017, the Company issued the third and fourth tranches of secured convertible debentures with an aggregate face value of $201,041. The debentures mature 24 months from the date of issue, accrue interest at a rate of 11% per year and were initially convertible into units of the Company at a per unit conversion price equal to the 10-day post-consolidated average closing price of the common shares of the Company on the NEX following the resumption of trading subject to a $0.05 minimum. The price was subsequently determined to be $0.13 per share. Each unit is comprised of one common share and one share purchase warrant of the Company. Each share purchase warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.13 per share. The Company's obligations under the debentures are secured by a general security agreement.

NOTE 8 – CONVERTIBLE DEBENTURES (Continued)

Tranche three of the debentures matures on March 16, 2019, and tranche four of the debentures matures on June 2, 2019. Interest on the debentures is payable on the maturity date.

The debentures were initially recognized at their face value of $201,041 less the value of the equity component of $23,941 for a net amount of $177,100. Due to the fact that the Company's shares were reinstated for trading on the NEX on September 2017 (Note 1), the conversion feature at the issuance date of these debentures were variable. As results, the option to settle payments in common shares represented an embedded derivative for the Company. This derivative liability was initially recognized by comparing a similar instrument without the conversion option and discounting the fair value of the host contract with the non-convertible instrument interest rate. The change in fair value of the derivative liability during the year was recognized in the statement of operations and comprehensive loss.

The CEO of the Company subscribed to $5,747 of these debentures. The amount of interest payable for this debenture as at January 31, 2018 is $237 (Note 11).

(c) On October 10, 2017, debentures with a face value of $238,000 were converted to 1,830,763 shares and 1,830,763 warrants. The remaining $12,000 in debentures was converted subsequent to the year ended January 31, 2018. Refer to Note 16.

NOTE 9 – SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of voting common shares without par value.

(b) Issued and Outstanding Share Capital

On September 14, 2017, the Company consolidated its common shares on the basis of one (1) new share for every ten (10) old shares (the "Consolidation"). Prior to the Consolidation, the Company had 13,658,300 common shares issued and outstanding. No fractional shares were issued pursuant to the Consolidation, and subsequent to the Consolidation, the Company had 1,365,830 common shares issued and outstanding.

On October 10, 2017, the Company issued 1,830,763 units at $0.13 per unit for the conversion of convertible debentures with a face value of $238,000. Each unit is comprised of one common share and one share purchase warrant, where each share purchase warrant is exercisable into one common share of the Company at $0.13 per share for a period of one year from the date of issuance.

On November 21, 2017, the Company completed non-brokered private placement financing issuing 5,555,555 units at a price of $0.135 per unit for gross proceeds of $750,000. Each unit consisted of one common share and one common share purchase warrant, whereby each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.18 for a period of one year from the date of issuance.

(Expressed in Canadian Dollars)

NOTE 9 – SHARE CAPITAL (Continued)

(c) Stock Options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees, and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Stock options and charitable options will be exercisable for a year of up to 10 years from the date of grant.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days, or, in the case of an optionee providing investor relations activities, the 30th day following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum year of six months after such death, subject to the expiry date of such option.

A summary of the status of the options outstanding is as follows:

	Number of Options	Weighted Average Exercise Price $
Balance, January 31, 2018 and 2017	390,000	0.05

The following table summarizes the stock options outstanding as at January 31, 2018:

Exercise Price $	Number of Options Outstanding	Expiry Date	Number of Options Exercisable
0.05	60,000	May 27, 2021	60,000
0.05	330,000	June 17, 2024	330,000
	390,000		390,000

(d) Charitable options

As at January 31, 2018, the Company has 105,000 outstanding charitable stock options exercisable at $0.10 which expire on May 26, 2018.

(Expressed in Canadian Dollars)

NOTE 9 – SHARE CAPITAL (Continued)

(e) Warrants

On October 10, 2017, the Company issued 1,830,763 warrants in connection with the conversion of debentures with a face value of $238,000. The warrants are exercisable into one common share of the Company at a price of $0.13 per share and expire one year from the date of issue.

On November 21, 2017, the Company completed a non-brokered private placement financing issuing 5,555,555 units at a price of $0.135 per unit for gross proceeds of $750,000. Each unit consisted of one common share and one common share purchase warrant, whereby each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.18 for a period of one year from the date of issuance.

The following table summarizes warrants outstanding as at January 31, 2018:

Exercise Price $	Number of Warrants Outstanding	Expiry Date
0.13	1,830,763	October 10, 2018
0.18	5,555,555	November 21, 2018
	7,386,318	

NOTE 10 – EQUITY RESERVES

	January 31, 2018	January 31, 2017
	$	$
Conversion rights on debentures	6,584	6,584
Share-based compensation	98,714	98,714
	105,298	105,298

(Expressed in Canadian Dollars)

NOTE 11 – RELATED PARTY TRANSACTIONS

Details of transactions between the Company and related parties are described as follows.

(a) Related Party Transactions

The Company incurred the following transactions with officers or companies controlled by officers during the years ended January 31, 2018 and 2017:

	2018 $	2017 $
Interest on debenture to the CEO (Note 8)	(237)	-
Interest on loan to the former CEO (Note 7)	(1,735)	(1,545)
Gain on forgiveness of debt (former CEO) (Note 7)	13,824	-
Consulting fees to the CEO	(59,667)	(22,833)
Consulting fees to the CFO	(9,000)	-
Director's fees	(16,667)	-
	(73,482)	(24,378)

(b) Related Party Balances

The following related party amounts were reflected in the statement of financial position as at January 31, 2018 and 2017:

	2018 $	2017 $
Interest payable to the CEO (Note 8)	237	-
Accounts payable to the company controlled by the CFO (Note 6)	4,500	-
Accounts payable to the Corporate Secretary (Note 6)	-	1,116
Accrued liability to the CEO (Note 6)	-	23,975
Accrued liabilities to the Directors (Note 6)	9,167	2,500
Loans payable (former CEO) (Note 7)	-	13,824
Loans payable (former director) (Note 7)	15,559	13,824
	29,463	55,239

NOTE 12 – FINANCE AND OTHER COSTS

	2018 $	2017 $
Accretion of discount on debt (Note 8)	30,305	641
Interest expense (Note 7 and 8)	15,803	4,655
	46,108	5,296

(Expressed in Canadian Dollars)

NOTE 13 – INCOME TAXES

(a) Reconciliation of Effective Tax Rate

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26% (2017 – 26.00%) to pre-tax loss as a result of the following:

	2018 $	2017 $
Loss for the year	(423,383)	(204,131)
Expected income tax at statutory tax rates	(110,000)	(53,074)
Non-deductible expenditures and other items	(6,000)	291
Change in unrecognizable deductible temporary differences	116,000	52,783
Total income tax expense (recovery)	-	-

(b) Deferred Income Tax Assets and Liabilities

Deferred tax assets have not been recognized in respect of the following items:

	2018 $	2017 $
Non-capital losses carry-forward	456,000	340,000
Unrecognized deferred tax assets	(456,000)	(340,000)
Net deferred tax assets	-	-

(c) Non-Capital Losses

As at January 31, 2018, the Company has non-capital losses of $1,755,685, which may be applied to reduce taxable income of future years. These non-capital losses expire as follows:

Year	$
2028	677
2029	98,734
2030	327,778
2031	196,550
2032	172,681
2033	132,779
2034	118,979
2035	34,430
2036	22,073
2037	203,489
2038	447,515
	1,755,685

NOTE 14 – FINANCIAL RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The Company's financial instruments consist of cash, GST receivable, accounts payable, loans payable and convertible debentures. The carrying values of cash, accounts payable and loans payable approximate their fair values because of their short-term nature and/or the existence of market related interest rates on the instruments. Convertible debentures are measured at amortized cost using the effective interest rate method and their carrying value approximates their fair value. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Company's convertible debentures with a fair value of $26,991 at January 31, 2018 (2017 - $44,580) are classified as Level 2.

(b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes:

(i) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions. The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. There can be no assurance that the Company will be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and development activities (Note 1).

(iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest on the Company's loans payable and Debentures is based on a fixed rate, and as such, the Company is not exposed to significant interest rate risk.

NOTE 15 – CAPITAL MANAGEMENT

The Company manages its share capital as capital, which as at January 31, 2018, was $1,998,618 (2017 - $1,010,618). The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to pursue the development and expansion of its business and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, or return capital to its shareholders.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its objectives. The Company may issue new shares or seek debt financing to ensure that there is sufficient working capital to meet its short-term business requirements. The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the year ended January 31, 2018.

NOTE 16 – SUBSEQUENT EVENTS

On March 28, 2018, the remaining debenture with a face value of $12,000 was converted to 92,307 units. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at $0.13 for a period of one year from the date of issue.

On May 25, 2018, the Company repaid the loan payable of $15,559 owing to a former Director of the Company.