

# **BIG ROCK LABS INC.**

## **UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended December 31, 2015

(Expressed in Canadian Dollars)

### **Notice of no auditor review of interim financial statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's external auditor has not performed a review of the interim financial statements for the period ending December 31, 2015.

The Management of Big Rock Labs Inc. was responsible for the preparation of these interim financial statements. The interim financial statements were prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and their interpretation as International Financial Reporting Interpretations Committee ("IFRIC").

**BIG ROCK LABS INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(UNAUDITED - Prepared by Management)  
(Expressed in Canadian Dollars)

	<u>December 31,</u> <u>2015 (Unaudited)</u>	<u>March 31, 2015</u> <u>(Audited)</u>
<b><u>ASSETS</u></b>		
<b>Current</b>		
Cash & Cash Equivalents	\$362,127	\$306,588
HST Amounts receivable	\$8,882	\$13,775
<b>Intangible assets (Note 9)</b>	-	-
<b>Total Assets</b>	<b><u>\$371,009</u></b>	<b><u>\$320,363</u></b>
<b><u>LIABILITIES</u></b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$28,601</u>	<u>\$53,157</u>
<b><u>SHAREHOLDERS' EQUITY</u></b>		
Share capital (Note 4)	\$788,115	\$488,115
Warrants (Note 4)	\$146,539	\$146,539
Contributed surplus (Note 4)	\$445,425	\$436,494
Deficit	\$(1,037,671)	\$(803,942)
<b>Total Shareholders' Equity</b>	<b><u>\$342,408</u></b>	<b><u>\$267,206</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$371,009</u></b>	<b><u>\$320,363</u></b>

Nature of Operations and Going Concern (Note 1)  
Major Events (Note 8)

**Approved and authorized by the Board of Directors on February 26, 2016:**

**On behalf of the Board:**

*/s/ "Harald Seemann"*  
**Harald Seemann**  
**Director**

*/s/ "Matt Kaine"*  
**Matt Kaine**  
**Director**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**BIG ROCK LABS INC.**  
**STATEMENT OF LOSS AND COMPREHENSIVE LOSS**  
(UNAUDITED - Prepared by Management)  
For the three and nine months ended December 31, 2015 and December 31, 2014  
(Expressed in Canadian Dollars)

	Three months ended December 31, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
<b>Revenue</b>	\$9,225	-	\$11,025	-
<b>Expenses</b>				
Development Fees	\$55,740	-	\$88,525	-
Professional Fees	\$36,630	\$41,406	\$116,504	\$115,368
CSE Fees	\$1,500	\$1,700	\$4,500	\$16,200
Other Expenses	\$2,133	\$18,137	\$36,403	\$26,834
Plan of Arrangement	-	-	-	\$20,000
Subtotal	<u>\$96,003</u>	<u>\$61,243</u>	<u>\$245,932</u>	<u>\$178,402</u>
<b>Loss before other items</b>	<u>\$(86,778)</u>	<u>\$(61,243)</u>	<u>\$(234,907)</u>	<u>\$(178,402)</u>
<b>Other items</b>				
Interest and other income	<u>\$593</u>	<u>\$798</u>	<u>\$1,178</u>	<u>\$1,777</u>
<b>Net loss and comprehensive loss for the period</b>	<u>\$(86,185)</u>	<u>\$(60,445)</u>	<u>\$(233,729)</u>	<u>\$(176,625)</u>
<b>Basic and diluted loss per share</b>	<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$(0.01)</u>
<b>Number of common shares outstanding</b>	<u>20,230,000</u>	<u>18,730,000</u>	<u>20,230,000</u>	<u>18,730,000</u>

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**BIG ROCK LABS INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(UNAUDITED - Prepared by Management)  
For the nine months ended December 31, 2015 and December 31, 2014  
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Warrants	Contrib. Surplus	Deficit	Total
<b>Balance, March 31, 2014</b>	<b>18,200,000</b>	<b>\$ 306,000</b>			<b>\$(15,394)</b>	<b>\$ 290,606</b>
Shares issued for cash (Note 4)	100,000	\$ 30,000				\$ 30,000
Private placement (Note 4)	430,000	\$ 152,115	\$146,539			\$ 298,654
Loss for the period					\$(176,625)	\$ (176,625)
<b>Balance, December 31, 2014</b>	<b>18,730,000</b>	<b>\$ 488,115</b>			<b>\$(192,019)</b>	<b>\$ 442,635</b>
Share-based payments (Note 4)				\$436,494		\$ 436,494
Loss for the period					\$(611,923)	\$ (611,923)
<b>Balance, March 31, 2015</b>	<b>18,730,000</b>	<b>\$ 488,115</b>	<b>\$146,539</b>	<b>\$436,494</b>	<b>\$(803,942)</b>	<b>\$ 267,206</b>
Private placement (Note 4)	1,500,000	\$ 300,000				\$ 300,000
Loss for the period				\$8,931	\$(233,729)	\$ (224,798)
<b>Balance, December 31, 2015</b>	<b>20,230,000</b>	<b>\$ 788,115</b>	<b>\$146,539</b>	<b>\$445,425</b>	<b>\$(1,037,671)</b>	<b>\$ 342,408</b>

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**BIG ROCK LABS INC.**  
**STATEMENT OF CASH FLOWS**  
(UNAUDITED - Prepared by Management)  
For the nine months ended December 31, 2015 and December 31, 2014  
(Expressed in Canadian Dollars)

	Nine months ended December 31, 2015	Nine months ended December 31, 2014
<b>Operating Activity</b>		
Loss for the period	\$(233,729)	\$(176,625)
Changes in non-working capital items:		
HST Amounts receivable	\$(8,882)	\$(9,533)
Accrued liabilities	\$28,601	\$11,869
Cash used in operating activities	\$(214,010)	\$(174,289)
<b>Financing Activity</b>		
Common Shares issued for cash	\$300,000	\$331,000
<b>Investing Activity</b>		
Development of Intangible Assets (Note 9)	\$(30,451)	\$(11,612)
<b>Increase in cash during the period</b>	<b>\$55,539</b>	<b>\$145,099</b>
Cash, beginning of the period	<u>\$306,588</u>	<u>\$263,106</u>
<b>Cash, end of the period</b>	<u><b>\$362,127</b></u>	<u><b>\$408,205</b></u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash received during the period for interest	<u>\$1,178</u>	<u>\$1,777</u>
Cash received during the period for tax refund	<u>\$9,225</u>	-

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## **BIG ROCK LABS INC.**

Notes to the Financial Statements (Unaudited - Prepared by Management)

For the three and nine months ended December 31, 2015 and December 31, 2014

(Expressed in Canadian Dollars)

### **1. Nature of Operations and Going Concern**

Big Rock Labs (“Big Rock” or the “Company”) was incorporated on April 04, 2014 under the Business Corporations Act of British Columbia. The Company owns 100% of Big Rock Technologies Inc. which was incorporated on February 13, 2014 under the Business Corporations Act of British Columbia as well. The head office of the Company is at 119 Spadina Avenue, Suite 1203; Toronto, Ontario M5V 2L1.

Big Rock Labs became a reporting issuer in British Columbia and Alberta on May 27, 2014, pursuant to the closing of a statutory plan of arrangement with Gorilla Minerals Corp. and Big Rock Labs' wholly-owned subsidiary Big Rock Technologies Inc. In addition to being a reporting issuer in British Columbia and Alberta, Big Rock Labs became a reporting issuer in Ontario upon listing on the Canadian Securities Exchange (“CSE”) on June 02, 2014.

#### *Going Concern*

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2015, the Company has only generated \$11,025 in revenue from operations, and has a working capital of \$342,408, and an accumulated deficit of \$1,037,671. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. On October 9, 2015 the Company successfully raised \$300,000 through a private placement of units.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments if required, could be material.

### **2. Basis of Preparation**

#### *Statement of Compliance*

These unaudited condensed interim financial statements for the three and nine months ended December 31, 2015 and December 31, 2014 have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”).

These interim financial statements do not include all the disclosures required by International Financial Reporting Standards (“IFRS”) for annual consolidated financial statements and

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2015 prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in the preparation of the unaudited condensed interim financial statements for the period ended December 31, 2015 and the period ended December 31, 2014 are set out below.

#### *Basis of Presentation*

The interim consolidated financial statements, presented in Canadian Dollars, have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3.

The accounting policies set out below have been applied consistently by all of the wholly-owned subsidiaries to the periods presented in the interim consolidated financial statements.

#### *Basis of Consolidation*

The interim consolidated financial statements include the accounts of Big Rock Labs Inc., and its wholly-owned subsidiary, Big Rock Technologies Inc.

The subsidiary is controlled by the Company. The financial statements of subsidiaries are included in the interim consolidated financial statements from the date that control commences until the date control ceases.

The functional currency of the parent and Big Rock Technologies Inc. is the Canadian dollar, which is the presentation currency of the interim consolidated financial statements.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the interim consolidated financial statements.

#### *Significant Accounting Estimates and Judgements*

The preparation of the interim consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from those estimates. Significant estimates are as follows:

- inputs used in accounting for share-based payment transactions and in valuation of options and warrants included in shareholders' equity, including volatility;
- valuation of deferred taxes; and
- assessing whether material uncertainties exist which would cause doubt about the Company's ability to continue as a going concern

### 3. Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements set out below have been applied consistently in all material respects.

#### Cash & Cash Equivalents

The Company's cash consists of amounts held in its corporate bank accounts and in 3 Guaranteed Investment Certificates ("GICs") issued by 3 different companies from the Scotiabank Group and insured by the Canada Deposit Insurance Corporation ("CDIC").

#### Loss Per Share

Basic losses per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted losses per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. No potentially dilutive securities were issued during the period. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

#### Share-based payment transactions

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. 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 option reserve. The fair value of options is determined using a Black-Scholes 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.

#### Intangible Assets

The Company's intangible assets consist of Trademarks, Domain Names, Software Applications (collectively, "the Intellectual Property" or "IP") and certain contracts (Note 9). This IP was initially capitalized at cost which included the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditures, including employee costs, which enhance or extend the performance of computer software and beyond its specifications and which can be reliably measured, were added to the original cost of the software and domain names. Since April 1, 2015 costs associated with developing and maintaining the Software Applications are recognized as an expense when incurred.

Intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. For the purpose of impairment testing, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs. If the recoverable

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognized as an impairment loss in profit or loss, unless the asset is carried at the revalued amount, in which case, such impairment loss is treated as a revaluation decrease. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognized in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognized as an expense, a reversal of that impairment is also credited to profit or loss.

### Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

In situations where the Company issues units, the value of warrants is bifurcated and is included as a separate reserve of the Company's equity.

### Financial Assets and Liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial assets in the following three categories depending on the purpose for which the instruments were acquired: Financial assets at fair value through profit or loss ("FVTPL"), available for sale ("AFS") financial assets or loans and receivable.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL or other financial liabilities, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. The Company's financial liabilities include accrued liabilities. Subsequent to initial

recognition, accrued financial liabilities are measured at amortized cost using the effective interest method.

The Company has classified its cash as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of the available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. The Company does not have any derivative financial assets or liabilities.

### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The Company does not have any financial instruments measured at fair value on the consolidated statements of financial position.

### Income taxes

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be recovered.

### Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available for sale investments and gains or losses on certain derivative instruments. To date, there have not been any charges to other comprehensive income (loss).

### New Accounting Standards and Interpretations

At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- IAS 1 'Presentation of Financial Statements' was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The effective date is for annual periods beginning or after January 1, 2016. Entities may still choose to apply IFRS 1 immediately, but are not required to do so.
- IFRS 9 'Financial Instruments: Classification and Measurement' – as issued in 2010, reflects the first phase of the IASB's work on the replacement of International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39") and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing impairment of financial assets. In November 2013, IFRS 9 was amended to include new requirements for hedge accounting. The effective date is for annual periods beginning or after January 1, 2018. Entities may still choose to apply IFRS 9 immediately, but are not required to do so.
- IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The effective date is for annual periods beginning or after January 1, 2017. Entities may still choose to apply IFRS 15 immediately, but are not required to do so.

- IAS 16 ‘Property, Plant and Equipment’ and IAS 38 ‘Intangible Assets’ were amended by the IASB in May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The effective date is for annual periods beginning or after January 1, 2016. Entities may still choose to apply IFRS 16 and 38 immediately, but are not required to do so.

#### 4. Equity Instruments

##### a. Share capital

Authorized: An unlimited number of common shares without par value.

Issued: 20,230,000 common shares as at December 31, 2015

20,230,000 common shares as at February 26, 2016

##### *Transactions*

On April 22, 2014, Big Rock Technologies issued 100,000 common shares at a price of \$0.30 per common share for total proceeds of \$30,000.

Between October 23 and October 31, 2014, the Company raised gross proceeds of \$301,000 through the issuance of 430,000 units at a price of \$0.70 per unit. Each unit consists of one common share and one warrant exercisable to purchase one additional common share at a price of \$1.00 per share for a period of 5 years after the issuance date on October 31, 2014. The Company incurred issuance costs of \$2,346 which have been recognized as a deduction from the common shares and warrants. The shares and any warrant shares issued upon exercise of the warrants are subject to a four months and one day resale restriction following the date of distribution under applicable Canadian provincial securities laws.

Between October 5 and October 9, 2015, the Company raised gross proceeds of \$300,000 through the issuance of 1,500,000 units at a price of \$0.20 per unit. Each unit consists of one common share and one warrant exercisable to purchase one additional common share at a price of \$0.26 per share for a period of 5 years after the issuance date on October 9, 2015. The shares and any warrant shares issued upon exercise of the warrants are subject to a four months and one day resale restriction following the date of distribution under applicable Canadian provincial securities laws.

##### b. Stock option plan and stock-based compensation

Under the Company’s current Stock Option Plan (the “Plan”), the Company may grant stock options to the Company’s directors, officers, employees and consultants, or a corporation wholly owned by such directors, officers, employees and consultants. The aggregate number of shares reserved for issuance under the Plan is up to 10% of the number of outstanding common shares, which was 20,230,000 as at December 31, 2015. The exercise price of options granted are subject to a minimum price of \$0.10 per share and must exceed the closing market price of the shares on the trading day immediately preceding the grant of the option.

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On May 12, 2014 the Company issued 1,800,000 stock options to management and directors. 900,000 stock options have been forfeited since then. As of February 26, 2016, there are 900,000 options to purchase the Company's common stock outstanding. These stock options have an exercise price of \$0.30 and expire on May 12, 2019.

**December 31, 2015**

Options outstanding	<b>Number of Options</b>		<b>Weighted Average Exercise Price</b>
Balance, April 1, 2014	-	\$	-
Stock options issued	<b>1,800,000</b>		0.30
Stock options forfeited	<b>(600,000)</b>		0.30
Balance, end of the period	<b>1,200,000</b>	\$	0.30
Exercisable, end of the period	<b>1,200,000</b>	\$	0.30

**Options Outstanding  
December 31, 2015**

Exercise price	<b>Number of Options</b>	<b>Weighted Average Life (Years)</b>
\$0.30	<b>1,200,000</b>	<b>3.3</b>

The options granted during the year have a fair value of \$445,425, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	2.00%	Expected volatility (Based upon comparable public companies)	192%
Dividend yield	Nil	Expected life-options	60 months
Forfeiture rate	Nil	Exercise price	\$0.30

As of December 31, 2015, 1,200,000 options were exercisable. During the period ended December 31, 2015, \$445,425 (2014 – Nil) was included in share-based payments expense with the corresponding amount charged to contributed surplus.

c. Warrants

The following table summarizes warrants that have been issued, exercised or have expired during the period ended December 31, 2015:

	Number of warrants	Weighted-average Strike Price
Opening, April 1, 2014	-	\$ -
Warrants issued upon unit financing	430,000	\$ 1.00
Warrants issued upon unit financing	1,500,000	\$ 0.26
<b>Outstanding and exercisable – December 31, 2015</b>	<b>1,930,000</b>	<b>\$0.43</b>

The fair value of the warrants granted during the period ended December 31, 2015 of \$146,539 (2014 - nil) was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.00%	Expected volatility (Based upon comparable public companies)	183%
Dividend yield	Nil	Expected life-options	60 months
Forfeiture rate	Nil	Exercise price	\$0.43

The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date:

Exercise price	Number of outstanding exercisable warrants	Weighted average remaining contractual life (in years)	Expiry date
\$1.00	430,000	3.7	October 31, 2019
\$0.26	1,500,000	4.6	October 9, 2020

## 5. Financial Instruments

The Company is exposed to varying degrees to a variety of financial instrument related risks:

### Fair value

The carrying value of cash amounts, and accrued liabilities approximated their fair value because of the relatively short-term nature of these instruments.

### Credit risk

The Company's cash is largely held in large Canadian financial institutions. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may

exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

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. Due to its planned global revenue stream, the Company is exposed to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

The Company’s ability to continue as a going concern is dependent on management’s ability to raise additional funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company intends to meet its current obligations in the following year with funds to be raised through private placements, shares for debt, loans and related party loans.

***Classification of financial instruments***

Financial assets included in the statement of financial position are as follows:

Fair value through profit and loss:	<b>December 31, 2015</b>
Cash & Cash Equivalents	\$ 362,127

Financial liabilities included in the statement of financial position are as follows:

	<b>December 31, 2015</b>
Non-derivative financial liabilities:	
• Accrued liabilities	\$ 28,601

***Fair value***

The fair value of the cash and accrued liabilities approximates their carrying amounts, due to the short-term maturities of these instruments.

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;

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- 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.

The following is an analysis of the Company's financial assets measured at fair value as at December 31, 2015:

	Level 1	Level 2	Level 3
Cash & Cash Equivalents	\$362,127	\$ -	\$ -

## 6. Capital Risk Management

The Company defines its capital as shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its technologies and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the development stage, its principal source of funds is from the issuance of common shares. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash. The Company expects its capital resources, which include a share offering, will be sufficient to carry its research and development plans and operations through its current operating period. The Company is not subject to externally imposed capital requirements.

## 7. Income Taxes

### (a) Current Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

	December 31, 2015
Net loss for the 3 months period	\$ (86,185)
Expected tax recovery at a combined federal and provincial rate of 26.50%	\$ (22,839)
Tax benefit not recognized	\$ (22,839)
Deferred income tax recovery	\$ -

### (b) Deferred Taxes

Significant components of the Company's deferred income tax assets (not recognized) after applying enacted corporate income tax rates are as follows:

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December 31, 2015

Non-capital loss carry forwards \$151,665

Net deferred income tax asset not recognized \$151,665

At December 31, 2015, the Company has Canadian non-capital losses of \$401,621 which, if not utilized to reduce income in future periods, expire through 2035.

## 8. Major Events

On October 5, 2015 the Company published a news release titled “Big Rock Labs Announces Proposed Private Placement of Units”.

On October 9, 2015 the Company published a news release titled “Big Rock Labs Closes Private Placement of Units”.

Big Rock Labs Inc. successfully closed its non-brokered private placement announced on October 5, 2015. The Company raised gross proceeds of C\$300,000 through the issuance of 1,500,000 units at a price of C\$0.20 per unit. Each unit consists of one common share and one warrant exercisable to purchase one additional common share at a price of C\$0.26 per share for a period of 5 years after the issuance date. Big Rock plans to use the proceeds from the private placement for product development, sales and marketing, acquisitions and general working capital purposes. The shares and any warrant shares issued upon exercise of the warrants are subject to a four months and one day resale restriction following the date of distribution under applicable Canadian provincial securities laws.

On October 13, 2015 the Company published a news release titled “Big Rock Labs Announces Results of Annual Shareholder Meeting and Growth Plan; Reach App Featured on Mashable”.

The Company’s annual shareholder meeting was held on September 22, 2015 in Toronto with 67% of shares present and all being voted in favour of management’s recommendations. The number of directors was set at 4, all 4 directors Harald Seemann, Matt Kaine, Stephane Bigue and Jens Brandt were re-elected; and the auditor Collins Barrow Toronto LLP was appointed again for the ensuing year.

Management and shareholders agreed on a major user growth and engagement strategy for the Reach app across various channels, to be executed from Mid-October by the Reach marketing team.

On November 3, 2015 the Company published a news release titled “Big Rock Labs Executive Matt Kaine 2015 Fast Growth Awards Finalist in Rising Star Entrepreneur Category by The Oxford Center for Entrepreneurs; Gallop Labs Partnership Update”.

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## **Gallop Labs Partnership Update**

Reach will apply Gallop's analytics to their platform to better Reach's ability to target the most ideal audience for its advertising in order to achieve the highest return possible on ad spending to acquire users. Reach will also utilize Gallop's predictive analytics to analyze behavioral and scientific data related to further their understanding of Reach's users. Gallop is the winner of the 2014 Facebook Innovation Award for Mobile App Solutions.

Alkarim Nasser, Co-Founder & Head of Product at Gallop Labs, commented: "Gallop is looking forward to working with Reach at a critical stage in their business to get the most out of their data to drive informed marketing and product decisions through our machine learning platform."

"We will have the best available insight on who our users are, what features they get the most out of and what Reach may be potentially lacking in order to better inform our product team of possible iterations," said Big Rock Labs Co-Founder Matt Kaine. "The Gallop platform will give us recommendations so that we can further improve and develop new exciting Reach features for our users."

Big Rock is pleased that Matt Kaine reached the finals in the Rising Star Entrepreneur Category of this year's Fast Growth Awards by The Oxford Center for Entrepreneurs.

Dr. Jerry Williams stated: "The decisions for winners were difficult, a testimony to the many outstanding qualities and accomplishments. Our discussions as judges were lively as we chose this year's winners. Making it to this finalist level is certainly a tremendous honor for everyone. It is my privilege to be affiliated with such an outstanding group!"

On November 24, 2015 the Company published a news release titled "Big Rock Labs Releases Reach Update with New LinkedIn, Facebook, Twitter and Eventbrite User Profile Integrations".

## **Reach Profile Integrations**

Following extensive user interviews and behaviour research, the Big Rock Labs team has released the first of multiple large updates slated for release by end of year. Reach users are now able to sync their profile with their LinkedIn, Facebook, Twitter and Eventbrite accounts. This makes it easy to present rich and complete user profiles with engaging and updated content.

## **New Reach App Features**

Users will find major improvements to the design and experience in this Reach app release:

- Better Profiles: New 'Status' bar helps establish a reason for connecting with each other. Also, added Mutual Connections & Latest Tweets.
- Easier Profile Editing: One-click syncing with LinkedIn, Facebook, Twitter and Eventbrite automatically builds you an up-to-date profile in seconds. It also unlocks valuable tools like Common Interests and Upcoming Event Attendance when viewing other's profiles.
- Design Updates, Stability Improvements & Bug Fixes.
- User is able to tap on profile picture for fullscreen view.

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On December 15, 2015 the Company published a news release titled “Big Rock Labs Works With Renowned Product Strategy & Management Advisor Balaji Gopalan To Take Reach App To The Next Level; Reach Featured On TechCrunch”.

### **Balaji Gopalan, Product Strategy & Management Advisor**

Balaji Gopalan, a Product Management Advisor, Entrepreneur and Educator, is thrilled to join forces with Big Rock Labs to build an impactful innovation plan for Reach. “I’m excited to work with the Reach team because I think the most exciting aspect of opportunities in digital, cloud-based innovation is in taking the most fundamental, essential aspects of our daily lives and making them richer and easier, adding contextual awareness to remove barrier tasks. This is what Reach does, connecting people together, faster, to do great things. I love how Reach actually works on enhancing human interaction and productivity, which is sometimes what technology loses sight of. I am thrilled to help figure out where we can take Reach next,” commented Gopalan.

Mr. Gopalan will be working with Big Rock Labs on building a go-forward value proposition for Reach, which is already seeing early success as a professional networking tool. Gopalan will assist with customer and use case analysis and feature prioritization, as well as in establishing a long-term product practice / development process at the Company.

In addition, the Reach app was recently featured on the number 1 tech portal TechCrunch:

### **How Mobile Apps Are Transforming The Job Search**

<http://www.techcrunch.com/2015/11/27/how-mobile-apps-are-transforming-the-job-search/>

TechCrunch, founded on June 11, 2005, is a news website dedicated to the tech scene. It provides breaking technology news, opinions, and analysis on tech companies from around the world. From publicly traded tech companies to emerging startups and venture capital funding rounds, TechCrunch is your number one guide for all things technology.

### **New Reach App Features**

Users will find major improvements to the design & experience of the Reach app:

- Search and filter events by category, distance and date.
- Pre-screen events by seeing which Reach users are attending.
- Filter by tags on the Explore screen.
- Toggle between All or just Contacts on the Explore screen.
- Contacts are now sorted alphabetically.

## 9. Intangible Assets

On March 4, 2014, Big Rock Technologies entered into an Asset Purchase Agreement with 2382709 Ontario Inc. to purchase intangible assets comprised of Intellectual Property and Contracts. The Intellectual Property is comprised of the Hostello Trademarks, the Hostello Domain Names, and the Hostello Software Application. Big Rock Technologies paid \$30,000 in consideration for these assets. During the year ended March 31, 2015, the Company ceased further development of the Hostello assets and applications as it is focused on the development of its Reach Software Application. As a result, the Hostello intangible assets were fully written-off for impairment.

## 10. Subsequent Events

On January 20, 2016 the Company published a news release titled “Big Rock Labs Connects Students to Employers with the Reach App at Nspire, Canada’s Largest Startup & Tech Career Fair at Western University”.

### **Reach Technology Partnership with Nspire Startup & Tech Career Fair at Western University in London, Ontario**

As an Nspire technology partner, Reach helped students and recent graduates connect with hiring companies such as Royal Bank of Canada, Shopify and Big Viking Games at the event.

#### **About Nspire**

Nspire Innovation Network is Canada’s largest student-run non-profit organization in the business and technology space. For the past 15 years, Nspire has been connecting top Canadian students with innovative business leaders. Previous partners include Hootsuite, Universe, Wattpad, Shopify and many more.

On February 2, 2016 the Company published a news release titled “Big Rock Labs: New Reach App Updates Result in Significant Increase of User Activity; Mass User Acquisition Strategy Begins with Tapjoy”.

### **Following the release of three major updates to the app in December 2015 and January 2016, Reach has reported a 177% increase to its active user base with a 143% increase in user engagement.**

Tapjoy’s goal is to maximize the value of every user for freemium mobile app publishers. Its Marketing Automation and Monetization Platform for mobile apps uses market leading data science, user segmentation and predictive analytics to drive deeper engagement and optimize revenue from every user.