

BIG ROCK LABS INC.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended March 31, 2016 and March 31, 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Big Rock Labs Inc.

We have audited the accompanying consolidated financial statements of Big Rock Labs Inc. and its subsidiary, which comprise the consolidated statement of financial position as at March 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Big Rock Labs Inc., and its subsidiary as at March 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.



Chartered Professional Accountants
Licensed Public Accountants
July 14, 2016
Toronto, Ontario

BIG ROCK LABS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	March 31, 2016	March 31, 2015
ASSETS		
Current		
Cash and cash equivalents	\$ 283,135	\$ 306,588
HST receivable	6,213	13,775
Total Assets	\$ 289,348	\$ 320,363
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 58,241	\$ 53,157
SHAREHOLDERS' EQUITY		
Share capital (Note 4(a))	640,562	488,115
Warrants (Note 4(c))	293,967	146,539
Contributed surplus (Note 4(b))	436,494	436,494
Deficit	(1,139,916)	(803,942)
Total Shareholders' Equity	231,107	267,206
Total Liabilities and Shareholders' Equity	\$ 289,348	\$ 320,363

Nature of Operations and Going Concern (Note 1)

Approved and authorized by the Board of Directors on July 14, 2016.

On behalf of the Board:

/s/ "Harald Seemann"
Harald Seemann
Director

/s/ "Jens Brandt"
Jens Brandt
Director

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

BIG ROCK LABS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Years ended March 31, 2016 and March 31, 2015
(Expressed in Canadian Dollars)

	March 31, 2016	March 31, 2015
Revenue	\$ 1,800	\$ -
Expenses		
Professional fees	121,664	73,143
Research and development fees	161,573	119,775
CSE fees	6,000	17,500
Plan of arrangement	-	20,000
Marketing	31,000	39,550
General and administrative	19,240	54,471
Share-based payments (Note 4)	-	436,494
Impairments of intangible assets (Note 8)	-	30,000
	339,477	790,933
Loss before other items	(337,677)	(790,933)
Other item		
Interest and other income	1,703	2,385
Net loss and comprehensive loss for the year	\$ (335,974)	(788,548)
Basic and diluted loss per share	\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding – Basic and diluted	19,451,154	18,481,288

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

BIG ROCK LABS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years ended March 31, 2016 and March 31, 2015
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, March 31, 2014	18,200,000	\$ 306,000	\$ -	\$ -	\$ (15,394)	\$ 290,606
Shares issued for cash (Note 4(a))	100,000	30,000	-	-	-	30,000
Private placement (Note 4(a))	430,000	152,115	146,539	-	-	298,654
Share-based payments (Note 4(b))	-	-	-	436,494	-	436,494
Loss for the year	-	-	-	-	(788,548)	(788,548)
Balance, March 31, 2015	18,730,000	\$ 488,115	\$ 146,539	\$ 436,494	\$ (803,942)	\$ 267,206
Private placement (Note 4(a))	1,500,000	152,447	147,428	-	-	299,875
Loss for the year	-	-	-	-	(335,974)	(335,974)
Balance, March 31, 2016	20,230,000	\$ 640,562	\$ 293,967	\$ 436,494	\$ (1,139,916)	\$ 231,107

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

BIG ROCK LABS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years ended March 31, 2016 and March 31, 2015
(Expressed in Canadian Dollars)

	March 31, 2016	March 31, 2015
Operating Activities		
Loss for the year	\$ (335,974)	\$ (788,548)
Items not affecting cash:		
Impairment of intangible assets (Note 8)	-	30,000
Share-based payments	-	436,494
Changes in non-working capital items:		
HST receivable	7,562	(13,775)
Accounts payable and accrued liabilities	5,084	50,657
Cash used in operating activities	(323,328)	(285,72)
Financing Activity		
Private placement, net of issuance costs	299,875	328,654
(Decrease) increase in cash during the year	(23,453)	43,482
Cash, beginning of the year	306,588	263,106
Cash, end of the year	\$ 283,135	\$ 306,588

Supplemental disclosure of cash flow information:

Cash received during the year for interest	\$ 1,703	\$ 2,385
Cash received during the year for tax refund	\$ 9,225	\$ -

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

BIG ROCK LABS INC.

Notes to the Consolidated Financial Statements
For the Years ended March 31, 2016 and March 31, 2015
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Big Rock Labs Inc. (“Big Rock” or the “Company”) was incorporated on April 4, 2014 under the Business Corporations Act of British Columbia. The head office of the Company is at 119 Spadina Avenue, Suite 1203; Toronto, Ontario M5V 2L1. Big Rock is a Canadian technology company that specializes in digital product research and development.

Big Rock became a reporting issuer in British Columbia and Alberta on May 29, 2014, pursuant to the closing of a statutory plan of arrangement with Gorilla Minerals Corp. and Big Rock’s wholly-owned subsidiary Big Rock Technologies Inc. In addition to being a reporting issuer in British Columbia and Alberta, Big Rock became a reporting issuer in Ontario upon listing on the Canadian Securities Exchange (“CSE”) on June 2, 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. For the year ended March 31, 2016, the Company generated its first revenues from operations in the amount of \$1,800 and had working capital of \$231,107 (2015 - \$267,206), had a net loss of \$335,974 (2015 - \$788,548) and an accumulated deficit of \$1,139,916 (2015 - \$803,942). 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 raised \$300,000 of gross proceeds 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.

Plan of Arrangement

On April 4, 2014, Big Rock entered into an arrangement agreement which included a statutory plan of arrangement (the “Arrangement”) with Gorilla Minerals Corp. (“Gorilla”) and Big Rock Technologies Inc. (“Big Rock Technologies”). Gorilla is a reporting issuer in the provinces of Alberta and British Columbia and on April 4, 2014, Big Rock was a wholly owned subsidiary of Gorilla, created solely for the purpose of giving effect to this Arrangement.

Pursuant to the Arrangement, the following steps were completed on May 29, 2014:

- a) Big Rock Technologies acquired all of the 10,000 issued and outstanding shares of Big Rock from Gorilla for consideration of \$20,000 (the “Purchase Shares”);
- b) Big Rock acquired all of the outstanding common shares of Big Rock Technologies from all of the Big Rock Technologies shareholders by exchanging securities on a 1:1 basis, such that 18,300,000 common shares of Big Rock Technologies were exchanged by their holders for 18,300,000 common shares of Big Rock;

BIG ROCK LABS INC.
Notes to the Consolidated Financial Statements
For the Years ended March 31, 2016 and March 31, 2015
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern (continued)

Plan of Arrangement (continued)

- c) Gorilla and Big Rock exchanged securities such that Gorilla issued 4 Gorilla common shares to Big Rock and Big Rock issued 4,000 common shares of Big Rock to Gorilla (collectively, the “Exchange Shares”); and
- d) The Purchase Shares and the Exchange Shares were then cancelled.

On closing of the Arrangement, Big Rock became a reporting issuer in Alberta and British Columbia, and Big Rock Technologies became a wholly-owned subsidiary of the Company.

As a result of the Arrangement, the former shareholders of Big Rock Technologies, for accounting purposes, are considered to have acquired control of Big Rock. Accordingly, the Arrangement has been accounted for as a reverse takeover that was not a business combination and effectively a capital transaction of the Company. As Big Rock Technologies is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on February 13, 2014, are included in the consolidated financial statements at their historical carrying value. The consolidated financial statements are a continuation of Big Rock Technologies in accordance with IFRS 3, Business Combinations. Big Rock’s results of operations are included from May 29, 2014 onwards. At the time of the execution of the arrangement, Big Rock had no net identifiable assets. Accordingly, no listing fees related to the reverse acquisition transaction in excess of the plan of arrangement fee were recognized.

2. Basis of Preparation

Statement of Compliance

The Company’s consolidated financial statements have been 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 the interpretations of the IFRS Interpretations Committee (“IFRIC”).

The accounting policies applied in the preparation of the consolidated financial statements for the years ended March 31, 2016 and March 31, 2015 are set out below.

Basis of Presentation

The 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.

BIG ROCK LABS INC.
Notes to the Consolidated Financial Statements
For the Years ended March 31, 2016 and March 31, 2015
(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Basis of Consolidation

The 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 consolidated financial statements from the date that control commences until the date control ceases.

Control is defined as having both the power to direct and the prospect of variable returns. All entities, in which the Company has a controlling interest, specifically when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, are fully consolidated.

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

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

Significant Accounting Estimates and Judgements

The preparation of the 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

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 and Cash Equivalents

The Company's cash and cash equivalents consists of amounts held in its corporate bank accounts and in Guaranteed Investment Certificates ("GICs") cashable on demand.

BIG ROCK LABS INC.
Notes to the Consolidated Financial Statements
For the Years ended March 31, 2016 and March 31, 2015
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects 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.

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 the units is bifurcated based on their relative fair value of the share and warrant value. The fair value of the warrant is determined by using the Black-Scholes pricing model. The value assigned to the warrant is included as a separate reserve of the Company's equity.

Revenue

Revenue is recognized when the service is delivered to the customer and collection is reasonably assured.

Investment Tax Credits

Investment tax credits ("ITCs") arising from research and development are recognized when their realization is reasonably assured. ITCs earned with respect to current expenditures for qualified research and development activities are included in the statement of comprehensive loss as a reduction of research and development costs. ITCs associated with capital expenditures are reflected as reductions in the carrying amounts of the assets. During the year ended March 31, 2016, \$9,225 (2015 - \$Nil) was included as a reduction to research and development costs.

BIG ROCK LABS INC.
Notes to the Consolidated Financial Statements
For the Years ended March 31, 2016 and March 31, 2015
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

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 all financial assets are recorded at fair value and subsequently classified 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.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income (loss) during the period.

Held to maturity assets, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Available for sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transactions costs associated with all other financial assets are included in the initial carrying amount of the asset.

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 measured initially at fair value. The Company’s financial liabilities include accounts payable and 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.

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.

BIG ROCK LABS INC.
Notes to the Consolidated Financial Statements
For the Years ended March 31, 2016 and March 31, 2015
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Fair Value Measurement (continued)

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 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).

BIG ROCK LABS INC.
Notes to the Consolidated Financial Statements
For the Years ended March 31, 2016 and March 31, 2015
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

New Accounting Standards and Interpretations (continued)

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 which may have an impact and 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 July 2014, which addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. IFRS 9 introduces a single expected credit loss model, which is based on changes in credit quality since initial recognition. IFRS 9 changes the requirements for hedge effectiveness and consequently for the application of 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, 2018. Entities may still choose to apply IFRS 15 immediately, but are not required to do so.

BIG ROCK LABS INC.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

4. Equity Instruments

a. Share capital

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

Issued: 20,230,000 common shares

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 were 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 Company incurred issuance costs of \$125 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.

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 March 31, 2016. 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. All options issued and outstanding vested during the year ended March 31, 2015 and have a life of five years.

On May 12, 2014 the Company issued 1,800,000 stock options to management and directors. 600,000 of the stock options expired in fiscal 2016 and 300,000 expired in fiscal 2015. As of March 31, 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.

BIG ROCK LABS INC.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

4. Equity Instruments (continued)

b. Stock option plan and stock-based compensation (continued)

Options outstanding	Number of Options	March 31, 2016 Weighted Average Exercise Price
Balance, beginning of the year	1,500,000	\$ 0.30
Stock options issued	-	-
Stock options expired	(600,000)	0.30
Balance, end of the year	900,000	\$ 0.30
Exercisable, end of the year	900,000	\$ 0.30

Options outstanding	Number of Options	March 31, 2015 Weighted Average Exercise Price
Balance, beginning of the year	-	\$ -
Stock options issued	1,800,000	0.30
Stock options expired	(300,000)	0.30
Balance, end of the year	1,500,000	\$ 0.30
Exercisable, end of the year	1,500,000	\$ 0.30

Exercise price	Options Outstanding March 31, 2016 Number of Options	Weighted Average Life (Years)
\$0.30	900,000	3.12

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4. Equity Instruments (continued)

b. Stock option plan and stock-based compensation (continued)

The options granted during the year ended March 31, 2015 had a fair value of \$436,494, 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 March 31, 2016, 900,000 options were exercisable. During the year ended March 31, 2016, \$436,494 (2015 – \$436,494) was included in contributed surplus.

c. Warrants

The following table summarizes warrants that have been issued, exercised or have expired during the year ended March 31, 2016:

	Number of warrants		Weighted average strike price
Opening, March 31, 2014	-	\$	-
Warrants issued upon unit financing	430,000		1.00
Outstanding and exercisable – March 31, 2015	430,000	\$	1.00
Warrants issued upon unit financing	1,500,000		0.26
Outstanding and exercisable – March 31, 2016	1,930,000	\$	0.43

The relative fair value of the warrants granted during the year ended March 31, 2016 of \$147,428 (2015 - \$146,539) was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2016	2015
Risk-free interest rate	0.80%	2.00%
Expected volatility (Based upon comparable public companies)	192%	183%
Dividend yield	Nil	Nil
Expected life warrants	60 months	60 months
Forfeiture rate	Nil	Nil
Exercise price	\$0.30	\$1.00

BIG ROCK LABS INC.
Notes to the Consolidated Financial Statements
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4. Equity Instruments (continued)

c. Warrants (continued)

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	3.4	October 31, 2019
\$0.26	1,500,000	4.3	October 9, 2020

5. Financial Instruments

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

Credit Risk

The Company's cash and cash equivalents are 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 as the maximum credit risk is limited to the carrying value.

Foreign Exchange Risk

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

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(Expressed in Canadian Dollars)

5. Financial Instruments (continued)

Fair Value

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

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:

	March 31, 2016	March 31, 2015
Net loss for the year	\$ (335,974)	\$ (788,548)
Expected tax recovery at a combined federal and provincial rate of 26.50% (2015 - 26.50%)	(89,033)	(208,965)
Non-deductible expenses	(6,431)	123,088
Adjustment to prior year non-capital losses	30,553	-
Tax benefit not recognized and other	64,911	85,877
Deferred income tax recovery	\$ -	\$ -

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7. Income Taxes (continued)

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:

	March 31, 2016	March 31, 2015
Non-capital loss carry forwards	\$ 149,019	\$ 90,016
Other temporary differences	5,618	(289)
Net deferred income tax asset not recognized	\$ 154,637	\$ 89,726

At March 31, 2016, management considers that it is not probable that these losses will be utilized and accordingly the deferred tax asset has not been recognized.

At March 31, 2016, the Company has Canadian non-capital losses of \$562,337 which, if not utilized to reduce income in future periods, expire through 2036.

8. Impairment of 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 application. As a result, the Hostello intangible assets were fully written-off for impairment.

9. Related Party Transactions

	March 31, 2016	March 31, 2015
Key management compensation		
Stock-based compensation	\$ -	\$ 261,896
Key management compensation paid	\$ 78,229	\$ -

As at March 31, 2016, \$27,293 (2015 – \$16,390), was payable to key management for reimbursement of corporate expenses and management fees. Key management includes the senior officers of the Company and directors.