BLOX LABS INC.

(formerly Big Rock Labs Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

RSM

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Blox Labs Inc. (formerly Big Rock Labs Inc.)

We have audited the accompanying consolidated financial statements of Blox Labs Inc. (formerly Big Rock Labs Inc.) and its subsidiary, which comprise the consolidated statements of financial position as at March 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' 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 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 Blox Labs Inc., and its subsidiary as at March 31, 2018 and 2017, 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.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
July 26, 2018
Toronto, Ontario

BLOX LABS INC.
(formerly Big Rock Labs Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		March 31, 2018		March 31, 2017
ASSETS				
Current				
Cash and cash equivalents	**$**	**387,233**	$	110,049
HST receivable		**14,179**		985
Short-term investment (Note 4)		**148,976**		-
Total Assets	**$**	**550,388**	$	111,034
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**40,418**	$	21,647
SHAREHOLDERS' EQUITY				
Share capital (Note 5(a))		**1,106,495**		640,562
Warrants (Note 5(c))		**524,830**		293,967
Contributed surplus (Note 5(b))		**436,494**		436,494
Deficit		**(1,557,849)**		(1,281,636)
Total Shareholders' Equity		**509,970**		89,387
Total Liabilities and Shareholders' Equity	**$**	**550,388**	$	111,034

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 10)

Approved and authorized by the Board of Directors on July 26, 2018.

On behalf of the Board:

/s/ "Jeffrey Zanini"	*/s/ "Peter Karroll"*
Jeffrey Zanini	**Peter Karroll**
Director	**Director**

See accompanying notes to the consolidated financial statements

BLOX LABS INC.
(formerly Big Rock Labs Inc.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Years ended March 31, 2018 and 2017
(Expressed in Canadian Dollars)

		March 31, 2018		March 31, 2017
Revenue	**$**	**50,000**	$	116
Expenses				
Professional and consulting fees		**124,723**		38,850
Research and development fees		**85,999**		985
CSE fees		**7,100**		6,000
Marketing		**23,958**		12,399
General and administrative		**25,293**		24,776
Management fees		**111,000**		60,000
		378,073		143,010
Loss before other items		**(328,073)**		(142,894)
Other items				
Interest and other income		**2,884**		1,174
Change in fair value of short-term investment (Note 4)		**48,976**		-
Net loss and comprehensive loss for the year	**$**	**(276,213)**	$	(141,720)
Basic and diluted loss per share	**$**	**(0.01)**	$	(0.00)
Weighted average number of common shares outstanding – Basic and diluted		**44,408,469**		30,345,003

BLOX LABS INC.
(formerly Big Rock Labs Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years ended March 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Number of Shares		Share Capital		Warrants		Contributed Surplus		Deficit		Total
Balance, March 31, 2016	**30,345,003**	**$**	**640,562**	**$**	**293,967**	**$**	**436,494**	**$**	**(1,139,916)**	**$**	**231,107**
Loss for the year	-		-		-		-		(141,720)		(141,720)
Balance, March 31, 2017	**30,455,003**	**$**	**640,562**	**$**	**293,967**	**$**	**436,494**	**$**	**(1,281,636)**	**$**	**89,387**
Private placement (Note 5(a))	42,000,000		465,800		230,896		-		-		696,696
Warrant exercise (Note 5(c))	3,000		133		(33)		-		-		100
Loss for the year	-		-		-		-		(276,213)		(276,213)
Balance, March 31, 2018	**72,348,003**	**$**	**1,106,495**	**$**	**524,830**	**$**	**436,494**	**$**	**(1,557,849)**	**$**	**509,970**

See accompanying notes to the consolidated financial statements

BLOX LABS INC.
(formerly Big Rock Labs Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years ended March 31, 2018 and 2017
(Expressed in Canadian Dollars)

		March 31, 2018		March 31, 2017
Operating Activities				
Loss for the year	**$**	**(276,213)**	$	(141,720)
Adjusted for item not involving cash:				
Change in fair value of short-term investment		**(48,976)**		-
Changes in non-cash working capital items:				
HST receivable		**(13,194)**		5,228
Accounts payable and accrued liabilities		**18,771**		(36,594)
		(319,612)		(173,086)
Investing Activity				
Acquisition of short-term investment		**(100,000)**		-
Financing Activities				
Proceeds from private placement, net of issuance costs		**696,696**		-
Proceeds from exercise of share purchase warrants		**100**		-
		696,796		-
Increase/(Decrease) in cash during the year		**277,184**		(173,086)
Cash and cash equivalents, beginning of the year		**110,049**		283,135
Cash and cash equivalents, end of the year	**$**	**387,233**	$	110,049
Supplemental disclosure of cash flow information:				
Cash received during the year for interest	**$**	**2,884**	$	1,174
Cash received during the year for taxes	**$**	**-**	$	13,684

1. Nature of Operations and Going Concern

Blox Labs ("BLOX" or the "Company") was incorporated on April 4, 2014 under the Business Corporations Act of British Columbia. Effective November 16, 2017, the Company changed its name from Big Rock Labs Inc. to Blox Labs Inc. The head office of the Company is located at 213 Sterling Road, Suite 206; Toronto, Ontario M6R 2B2.

Blox Labs Inc. is a technology development company focused on creating software solutions driven by emerging trends in Blockchain, Smart Contracts and Decentralized Applications.

Going Concern

These consolidated 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, 2018, the Company generated $50,000 (2017 - $116) in revenue from operations, and had working capital of $509,970 (2017 - $89,387), had a net loss of $276,213 (2017 - $141,720) and an accumulated deficit of $1,557,849 (2017 - $1,281,636). 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.

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 consolidated 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

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, 2018 and 2017 are set out below.

2. Basis of Preparation (continued)

Basis of Presentation

The consolidated financial statements, presented in Canadian dollars, have been prepared on a historical cost basis, except for cash flow information and certain financial assets that are measured at fair value as explained in the significant accounting policies set out in Note 3.

The functional currency of the Company and Big Rock Technologies Inc., a wholly-owned subsidiary, is the Canadian dollar, which is the presentation currency of the consolidated financial statements.

On November 22, 2017, the Company completed a consolidation of its common shares at a ratio of one new share for every two old shares. Subsequent to March 31, 2018, the Company completed a forward split of its common shares at a ratio of three new shares for every one old share. Consequently, all share and per share amounts in these financial statements have been restated to reflect these adjustments to share capital.

Basis of Consolidation

The consolidated financial statements include the accounts of Blox 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.

All entities, over which the Company has control, 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.

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; and
- valuation of short-term investments.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated 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 that are cashable on demand.

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 year. 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.

Revenue

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. Revenue from developing software applications is recognized as earned, based on the basis of the percentage of completion method where the revenue is reconcilable to services performed as a proportion of total services to be completed. Where the stage of completion at the reporting date cannot be reliably measured, revenue is recognized only to the extent of the expenses recognized that are recoverable. Foreseeable losses, if any, are recognized in the year or period in which the loss is determined

3. Significant Accounting Policies (continued)

Share Capital

Common shares are classified as equity. Transaction and other 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.

Research and Development

Research costs are charged to the statement of loss and comprehensive loss when incurred. Development costs are expensed in the year incurred unless they meet the criteria under IFRS for deferral and amortization. Amortization commences with the successful commercial production or use of the product or process.

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 loss and 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, 2018, $Nil (2017 - $13,684) was included as a reduction to research and development costs.

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.

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

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

3. Significant Accounting Policies (continued)

Financial Assets and Liabilities (continued)

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.

Financial liabilities 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. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

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

The Company has classified its cash and cash equivalents as loans and receivables, short-term investment as FVTPL 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.

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.

3. Significant Accounting Policies (continued)

Financial Assets and Liabilities (continued)

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 has classified its short term investment as FVTPL using Level 1 and Level 2 of the fair value hierarchy for the shares and warrants, respectively.

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.

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.

The following standards have been issued for annual periods beginning on or after January 1, 2018 but are not yet effective:

IFRS 9, Financial instruments

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. This new standard replaces International Accounting Standards ("IAS") 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting.

IFRS 9 requires financial assets to be classified into one of three measurement categories on initial recognition: FVTPL, fair value through OCI and amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The new standard retains most of the existing requirements for financial liabilities.

IFRS 9 introduces a new impairment model for financial assets. This new model may result in the earlier recognition of credit losses as it requires the Company to account for expected credit losses from the time the financial instruments are first recognized.

3. Significant Accounting Policies (continued)

New Accounting Standards and Interpretations (continued)

The Company has not yet completed its evaluations of the effect of adopting this standard and amendment, and the impact it may have on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. This new standard is based on the principle that revenue should be recognized to depict the transfer of goods or services to customers at an amount that the entity expects it will be entitled to in exchange for those goods.

IFRS 15 introduces a new five step model for the recognition of revenue based on when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards and could result in changes in the timing of revenue recognition for certain contracts.

The Company has not yet completed its evaluations of the effect of adopting this standard and amendment, and the impact it may have on its consolidated financial statements.

The following standard has been issued for annual periods beginning on or after January 1, 2019 but is not yet effective:

IFRS 16, Leases

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. This new standard replaces the existing leasing guidance in IAS 17, Leases.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the balance sheet a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the consolidated statement of income (loss) will be recognized on the consolidated statement of financial position.

The Company has not yet completed its evaluations of the effect of adopting this standard and amendment, and the impact it may have on its consolidated financial statements.

(Expressed in Canadian Dollars)

4. Short-Term Investment

Short-term investment is recorded at fair value and consists of 2,000,000 units held in Sonoro Energy Ltd., a Canadian publicly traded corporation, with an acquisition cost of $100,000. Each unit consists of a common share and a share purchase warrant wherein each share purchase warrant is exercisable into an additional common share at $0.10 for a period of two years from the date of closing, March 28, 2018. The warrants have been valued using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.88%
Expected volatility	70%
Dividend yield	Nil
Expected life	2 years
Forfeiture rate	Nil
Exercise price	$0.10
Share price	$0.06

Purchased on March 26, 2018, the Company has classified it short-term investment as fair value through profit or loss and recorded an unrealized gain of $48,976 (2017 – $Nil) during the year ended March 31, 2018.

5. Equity Instruments

a) Share capital

Authorized: An unlimited number of common shares without par value.
Issued: 72,348,003 common shares

Transactions

On November 27, 2017, the Company completed a non-brokered private placement financing wherein it issued 42,000,000 units for gross proceeds of $700,000. Each unit consists of a common share and one half of a common share purchase warrant. Each whole warrant is exercisable into an additional common share at a price of $0.033 per share and expiring two years after the date of closing. In connection with the private placement, the Company incurred $3,304 of transaction costs which have been allocated to share capital and warrants based on their respective fair values.

The Company issued 3,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $100. The value of the warrants was determined to be $33 which has been recorded as a transfer from warrants to share capital on the statement of financial position.

(Expressed in Canadian Dollars)

5. Equity Instruments (continued)

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 72,348,003 as at March 31, 2018. The exercise price of options granted is subject to a minimum price of $0.10 per share and must meet or exceed the closing market price of the shares on the trading day immediately preceding the grant of the option.

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

	Number of Stock Options	**Weighted Average Exercise Price**
		($)
Balance, April 1, 2016	1,350,000	0.20
Cancelled	(450,000)	0.20
Balance, March 31, 2017	900,000	0.20
Cancelled	(450,000)	0.20
Balance, March 31, 2018	450,000	0.20

The following table summarizes the stock options outstanding and exercisable as at March 31, 2018:

Number of Options Outstanding	**Number of Options Exercisable**	**Weighted Average Exercise Price**	**Expiry Date**	**Weighted Average Remaining Contractual Life**
		($)		**(yrs)**
450,000	450,000	0.20	May 12, 2019	1.12

c) Warrants

The continuity of the Company's share purchase warrants is as follows:

	Number of Warrants	**Weighted Average Exercise Price**
		($)
Balance, April 1, 2016	2,895,000	0.29
Expired	(645,000)	0.67
Balance, March 31, 2017	2,250,000	0.17
Issued	21,000,000	0.03
Exercised	(3,000)	0.03
Balance, March 31, 2018	23,247,000	0.05

(Expressed in Canadian Dollars)

5. Equity Instruments (continued)

c) Warrants (continued)

The following table summarizes the share purchase warrants outstanding as at March 31, 2018:

Number of Warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
	($)		(yrs)
2,250,000	0.17	October 9, 2020	2.53
20,997,000	0.03	November 27, 2019	1.66
23,247,000	0.05		1.74

The Company issued 21,000,000 share purchase warrants in connection with a non-brokered private placement of units on November 17, 2017. Each warrant entitles the holder to acquire a common share of the Company at $0.033 and expiring two years after the date of closing. The share purchase warrants were determined to have a fair value of $230,896 based on an allocation using the Black-Scholes option pricing model with the following assumptions:

	2018
Risk-free interest rate	1.43%
Expected volatility [1]	306%
Dividend yield	Nil
Expected life	2 years
Forfeiture rate	Nil
Exercise price	$0.033
Share price	$0.33

[1] Expected volatility is based on historical volatility.

6. 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.

Foreign currency 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.

6. Financial Instruments (continued)

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.

Fair value

The carrying value of the cash and cash equivalents and accounts payable and accrued liabilities approximates their fair value, due to the short-term maturities of these instruments. The fair value of short-term investment is measured using both level 1 and level 2 of the fair value hierarchy.

Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes to market prices (other than those arising from interest rate or currency risk) whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Company's short-term investment consists of common shares in Sonoro Energy Ltd. which is a publicly traded corporation on the Canadian Securities Exchange. Consequently, there is a risk that the fair value of this investment will fluctuate due to future price changes.

7. 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 explore all strategic options and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. 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 will be sufficient to carry its operations through the current operating period. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

8. Income Taxes

a) Current Income Taxes

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

		March 31, 2018		March 31, 2017
Net loss for the year	**$**	**(276,213)**		(141,720)
Expected tax recovery at a combined federal and provincial rate of 26.50% (2017 - 26.50%)		**(73,196)**		(37,556)
Non-deductible expenses		**330**		1,016
Adjustment to prior year non-capital losses		**-**		45,646
Tax benefit not recognized and other		**72,866**		(9,106)
Deferred income tax recovery	**$**	**-**		-

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:

		March 31, 2018		March 31, 2017
Non-capital loss carryforwards	**$**	**225,685**	$	140,410
Other temporary differences		**(6,922)**		5,121
Net deferred income tax asset not recognized	**$**	**218,763**	$	145,531

At March 31, 2018 and 2017, 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, 2018, the Company has Canadian non-capital losses of $851,641 which, if not utilized to reduce income in future periods, expire through 2038.

9. Related Party Transactions

		March 31, 2018		March 31, 2017
Key management compensation	**$**	**111,000**	$	78,159

As at March 31, 2018, $18,429 (2017 – $Nil), was owing to key management for management fees and reimbursement of corporate expenses. Key management includes the senior officers and directors of the Company.

10. Subsequent Events

Subsequent to March 31, 2018, the Company:

a) completed a non-brokered private placement wherein it issued 44,465,994 common shares for gross proceeds of $1,111,650.

b) issued 600,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $20,000.

c) cancelled 450,000 stock options exercisable at $0.20 per share

d) granted 7,290,000 stock options exercisable at $0.04 per share until May 25, 2023.

e) completed a forward split of its common shares at a ratio of three new shares for every one old share, Note 2.