ENDOCAN SOLUTIONS INC.

(formerly Worldwide Marijuana Inc.)

Consolidated Financial Statements

Years Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars)

MANNING ELLIOTT
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Endocan Solutions Inc. (formerly Worldwide Marijuana Inc.)

We have audited the accompanying consolidated financial statements of Endocan Solutions Inc. which comprise the consolidated statements of financial position as at October 31, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in shareholder's deficiency and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of 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 audits 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 our judgment, 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, we consider 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 Endocan Solutions Inc. as at October 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Endocan Solutions Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
March 10, 2018

ENDOCAN SOLUTIONS INC.
(Formerly Worldwide Marijuana Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at October 31,

	Notes	2017 $	2016 $
ASSETS			
Current			
Cash		1,856	494
Receivables		19,580	10,767
TOTAL ASSETS		21,436	11,261
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Accounts payable and accrued liabilities	7	613,867	398,682
Related party advance	6	32,540	-
		646,407	398,682
Shareholders' deficiency			
Share capital	8	4,161,636	4,161,636
Contributed surplus		143,700	143,700
Deficit		(4,930,307)	(4,692,757)
		(624,971)	(387,421)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		21,436	11,261

Nature and continuance of operations (Note 1)

Approved on behalf of the Board on March 10, 2018:

Signed	Signed
"Robert Marsh"	*"Annie Storey"*
Director	Director

ENDOCAN SOLUTIONS INC.
(Formerly Worldwide Marijuana Inc.)
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)
For the years ended October 31,

	Notes	2017 $	2016 $
Operating expenses			
Management fees	7	223,200	180,000
Office and miscellaneous		802	350
Professional fees	7	5,000	-
Transfer agent and filing fees		8,548	7,600
		237,550	187,950
Loss and comprehensive loss for the year		(237,550)	(187,950)
Basic and diluted loss per common share		(0.10)	(0.08)
Weighted average number of shares outstanding - basic and diluted		2,323,855	2,323,855

ENDOCAN SOLUTIONS INC.
(Formerly Worldwide Marijuana Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
For the years ended October 31,

	2017 $	2016 $
OPERATING ACTIVITIES		
Loss	(237,550)	(187,950)
Adjustment for non-cash items:		
Accrued interest on the related party advance	540	-
Working capital adjustments		
Receivables	(8,813)	(3,417)
Accounts payable and accrued liabilities	215,185	180,145
Related party advance	32,000	-
	(30,638)	(11,222)
FINANCING ACTVITIES		
Related party advance	(6,420)32,000	--
	32,000	-
Net increase (decrease) in cash	1,362	(11,222)
Cash, beginning	494	11,716
Cash, ending	**1,856**	**494**
Supplemental and non-cash disclosures with respect to cash flows:		
Income taxes paid	-	-
Interest paid	-	-

ENDOCAN SOLUTIONS INC.
(Formerly Worldwide Marijuana Inc.)
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Common shares				
	Number	Amount	Contributed surplus	Deficit	Total
		$	$	$	$
Balance, October 31, 2015	2,323,855	4,161,363	143,700	(4,504,807)	(199,471)
Loss for the year	-	-	-	(187,950)	(187,950)
Balance, October 31, 2016	2,323,855	4,161,363	143,700	(4,692,757)	(387,421)
Loss for the year	-	-	-	(237,550)	(237,550)
Balance, October 31, 2017	**2,323,855**	**4,161,636**	**143,700**	**(4,930,307)**	**(624,971)**

On August 8, 2017, the Company enacted a ten for one common share consolidation. All current and comparative references to the number of shares, warrants, options, weighted average number of common shares and loss per share have been adjusted retroactively to give effect to the ten for one share consolidation.

1. Nature of operations and going concern

Endocan Solutions Inc. (the "Company") was incorporated under the B.C. Business Corporations Act. on May 11, 2011. The Company is engaged in the acquisition of companies and assets in the medical marijuana sector with a view to ultimately having multiple subsidiaries that are licensed producers. The Company's head office is located at 700 – 1199 West Hastings Street, Vancouver, B.C., V6E 3T5.

On March 23, 2015, the Company completed a share exchange agreement with Worldwide Cannabis Consortium Inc. ("Worldwide Cannabis") pursuant to which the Company acquired all of the issued and outstanding shares of Worldwide Cannabis in exchange for an equal number of common shares of the Company (the "Acquisition"). Upon completion of the Acquisition, Worldwide Cannabis became a wholly-owned subsidiary of the Company. The acquisition was accounted for as a reverse acquisition.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at October 31, 2017, the Company had no source of operating cash flows and reported a working capital deficit of $624,971 (2016 - $387,421), and has an accumulated deficit of $4,930,307. The Company expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. Management has estimated that the Company will require additional financing to meet its obligations for the next fiscal year. Continued operations are dependent on the Company's ability to complete equity financings, secure project debt financing, and / or generate profitable operations in the future. It is not possible to predict whether further financing efforts will be successful or if the Company will attain profitable levels of operations.

These consolidated financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, and the reported comprehensive loss and classifications used on the statement of financial position. These adjustments could be material.

2. Statement of compliance and basis of preparation

a) Statement of compliance

These consolidated financial statements are audited and represent the annual consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized by the Company's Board of Directors on March 10, 2018.

These consolidated financial statements are stated in Canadian dollars and were prepared under the historical cost convention, except for share-based payment transactions.

b) Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Worldwide Cannabis Consortium Inc. All inter-company transactions have been eliminated upon consolidation.

These consolidated financial statements have been prepared on a historical cost basis, and have been prepared using the accrual basis of accounting, except cash flow information.

2. Statement of compliance and basis of preparation (continued)

c) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

e) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingency liabilities as at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

A significant use of judgment is the assessment of the Company's ability to continue as a going concern and the determination of whether it is likely that future taxable profits will be available to utilize against any deferred assets.

Key sources of estimation uncertainty include:

<u>Income taxes and recoverability of potential deferred tax assets</u>

In assessing the probability of realizing deferred income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

<u>Share-based payments</u>

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Management determines values for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and for stock based compensation, future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain, and any changes in these assumptions affect the fair value estimates.

3. Significant accounting policies

The significant accounting policies of the Company are as follows:

a) Foreign currency translation

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Foreign exchange gains and losses are included in comprehensive loss.

b) Cash and cash equivalents

Cash is comprised of cash on hand and deposits in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

c) Provisions

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (c) a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is included in comprehensive loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these decommissioning activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in comprehensive loss as a finance cost. Additional disturbances or changes in decommissioning costs will be recognized as additions or charges to the corresponding assets and decommissioning liability when they occur. For closed sites, changes to estimated costs are recognized immediately in comprehensive loss.

The Company does not currently have any such significant legal or constructive obligations for reclamation or decommissioning and therefore no decommissioning provisions have been recorded.

d) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use. In assessing value in use, the

3. Significant accounting policies (continued)

d) Impairment of non-financial assets (continued)

estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an 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. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

e) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes option pricing model.

The fair value is estimated at grant date and each tranche is recognized on a graded-vesting basis over the period the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to option and warrant reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options that expire after vesting, the recorded value is transferred to deficit.

f) Earnings (loss) per share

Basic earnings (loss) per share (“EPS”) is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Company is in a loss position.

g) Income taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to tax authorities.

3. Significant accounting policies (continued)

g) Income taxes (continued)

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amount of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit or loss, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

h) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through the statement of comprehensive loss. Cash is included in this category of financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition at fair value, they are measured at fair value and changes therein are recognized in other comprehensive income (loss) and presented within equity in accumulated other comprehensive loss. When an investment is derecognized, the cumulative gain or loss in accumulated other comprehensive income is transferred to comprehensive loss. The Company does not have any available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date, and are carried at amortized cost, using the effective interest method, less any impairment. The Company does not have any loans and receivables financial assets.

3. Significant accounting policies (continued)

h) Financial instruments (continued)

Financial assets

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, held with the intention of holding these investments to maturity and subsequently measured at amortized cost. These investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence indicating that one or more events have had a negative impact on the estimated future cash flows of that asset. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

An impairment loss in respect of a financial assets measured at amortized cost is calculated as the difference between its carrying amount and the net present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale asset is calculated by reference to its fair value and any amounts in other comprehensive income are transferred to earnings.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Gains or losses related to impairment or de-recognition are recognized in the statement of comprehensive loss in the period in which they occur. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Financial liabilities

The Company classifies its financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other financial liabilities include accounts payable and the related party advance.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs.

3. Significant accounting policies (continued)

h) Financial instruments (continued)

i) Recent accounting standards

The following amended or new Standards were issued by the IASB and are effective for the Company's fiscal year beginning on November 1, 2017:

Amendments to IAS 1 Presentation of Financial Statements

The IASB issued amendments to IAS 1 in December 2014 to address perceived impediments to preparers exercising their judgement in presenting their financial statements by clarifying that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. The amendments also clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Future accounting standards

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after October 31, 2017. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the discussion below.

IFRS 9 – Financial Instruments
The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IA 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. Companies may early adopt IFRS 9 however there is no mandatory application date. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position and disclosures. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 7 Financial Instruments – Disclosure
IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step model framework for the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

3. Significant accounting policies (continued)

i) Recent accounting standards (continued)

IFRS 2 Share-Based Payment
In June 2016 the Board issued the final amendments to IFRS 2 *Share-Based Payment* as follows:

1. Effects that vesting conditions have on the measurement of a cash-settled share-based payment;
2. Accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled;
3. Classification of share-based payment transactions with net settlement features.

The amendment is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated interpretative guidance, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15 Revenue. This standard sets out a new model for lease accounting. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

4. Capital management

The Company classifies its share capital as capital, which at October 31, 2017 totalled $4,161,636 (2016 - $4,161,636). When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish qualitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is dependent upon external financing to fund its activities. In order to carry out the planned activities, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new opportunities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

5. Financial instruments and financial risk management

a) Financial assets and liabilities by category

The Company has designated cash as fair value through profit or loss, measured at fair value. Changes in the fair values are recorded in comprehensive loss. Accounts payable and the related party advance are designated as other financial liabilities and are measured initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement. The Company had no held-to-maturity financial instruments during the period.

b) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature or bear interest at market rates.

5. Financial instruments and financial risk management (continued)

c) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At October 31, 2017, the Company's financial assets and liabilities which are measured and recognized on the consolidated statement of financial position at fair value on a recurring basis consist of cash, which are categorized as a level 1 financial instrument.

Cash is classified as held for trading and are recorded at fair value in the consolidated statement of financial position. The Company had no other financial instruments recorded at fair value. There were no transfers between levels 1 and 2 during the period.

d) Financial risk management

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Company's activities. Management regularly monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. In the normal course of operations, the Company is exposed to various risks such as interest rate, foreign exchange, credit and liquidity risks. To manage these risks, management determines what activities must be undertaken to minimize potential exposure to risks. The objectives of the Company in managing risks are as follows:

- Maintaining sound financial condition;
- Financing operations; and
- Ensuring liquidity to all operations.

In order to satisfy these objectives, the Company has adopted the following policies:

- Prepare budget documents at prevailing market rates to ensure clear, corporate alignment to performance management and achievement of targets;
- Recognize and observe the extent of operating risk within the business; and
- Identify the magnitude of the impact of market risk factors on the overall risk of the business and take advantage of natural risk reductions that arise from these relationships. There have been no changes in risks that have arisen or how the Company manages those risks during the period.

(i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash, which is invested on a short term basis to enable adequate liquidity for payment of operational and capital expenditures. Interest rate risk is considered minimal.

(ii) Commodity price risk

The Company is not exposed to price risk with respect to commodity prices.

(Expressed in Canadian Dollars)

5. Financial instruments and financial risk management (continued)

d) Financial risk management (continued)

(iv) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from trade receivables. The Company's credit risk is primarily attributable to cash. The Company limits its exposure to credit risk on cash as these financial instruments are held with major Canadian and international banks, from which management believes the risk of loss to be remote. The carrying amount of financial assets recorded in the financial statements, net of any allowances, represents the Company's maximum exposure to credit risk.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining cash. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long term obligations. As disclosed in note 1, the ability of the Company to continue as a going concern is dependent on many factors.

6. Related party advance

On September 15, 2017, the Company arranged a $250,000 credit facility (the "Facility") from Phi Beta Capital Advisors Ltd. (the "Lender"), a company indirectly controlled by a family member of the former CEO of the Company. As at October 31, 2017, the terms of the Facility had not been finalized and were pending exchange approval. As of October 31, 2017, the Company received an advance of $32,000 in connection with the Facility.

Subsequent to the year-ended October 31, 2017, the Company repaid an amount of $34,112, comprising the original advance and accrued interest, and the Facility was terminated.

7. Related party transactions

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

During the year ended October 31, 2017, the Company entered into transactions with the following related parties:

Relationship	Nature of Transactions	2017	2016
Former Chief Executive Officer	Management fees	$ 100,000	$ -
Former Chief Executive Officer, Director	Management fees	60,000	120,000
Corporate Secretary	Legal fees	5,000	-
Chief Financial Officer	Management services	60,000	60,000
Former Director	Expenses	-	-
		$ 225,000	**$ 180,000**

(Expressed in Canadian Dollars)

7. Related party transactions (continued)

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the Chief Executive Officer, Former Chief Executive Officer, Chief Financial Officer, and directors of the Company. The remuneration of key management is as follows:

		2017		2016
Management services	$	225,000	$	180,000
Share-based compensation		-		-
	$	**225,000**	**$**	**180,000**

As at October 31, 2017, included in accounts payable are amounts owing to related parties totalling $578,034 (2016 - $340,391). Amounts due to related parties are unsecured, non-interest bearing with no fixed terms of repayment.

8. Share capital

Authorized: unlimited common voting shares without par value.

During the years ended October 31, 2017 and 2016, no common shares of the Company were issued.

9. Stock options

The Company has adopted an incentive stock option plan (the "SOP") pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants. The SOP provides that the number of common shares issuable on the exercise of options granted to all persons together with all of the Company's other previously granted options may not exceed 10% of the issued and outstanding common shares of the Company. The options can be granted for a maximum term of 5 years and certain options vest 25% on the date of grant and 25% every 6 months thereafter for 18 months, while others vest immediately.

No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time. Shares issued upon the exercise of options are restricted from trading during the 4 month period subsequent to the exercise of the options. For stock options granted to employees, officers, directors and consultants, the Company recognizes stock based compensation expense based on the estimated fair value of the stock options granted as calculated using the Black-Scholes option-pricing model on the date of the grant. Options will be cancelled 90 days following termination or resignation of officers, directors or employees.

As at October 31, 2017 or 2016, no options of the Company were outstanding.

10. Financial instruments

The Company measures its cash as a Level 1 financial instrument.

11. Income taxes

The potential benefit of net operating loss carry forwards has not been recognized in the financial statements since the Company cannot be assured that it is probable that such benefit will be utilized in future years.

(Expressed in Canadian Dollars)

11. Income taxes (continued)

The components of the deferred tax asset, the statutory tax rate, the effective tax rate and the unrecognized deferred income tax asset are as follows:

		2017		2016
Canadian statutory income tax rate		26%		26%
Income tax recovery at statutory rate	$	61,763	$	48,867
Effect of income taxes of:				
Change in effective tax rate		17,273		-
Change in deferred tax assets not recognized		(79,036)		(48,867)
Deferred income tax recoverable	$	-	$	-

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

		2017		2016
Non-capital losses carry forward	$	330,002	$	254,639
Share issuance costs		2,862		4,134
Capital losses		133,508		128,563
Deferred tax assets not recognized		(466,372)		(387,336)
	$	-	$	-

As at October 31, 2017, the Company had non-capital losses carry forward in Canada of approximately $1,222,000 (2016 - $979,000) available to reduce taxable income. The non-capital losses carry forward expire between 2034 and 2037.