Global Cannabis Applications Corp.

# CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2018 and 2017

(Stated in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Global Cannabis Applications Corp.

We have audited the accompanying consolidated financial statements of Global Cannabis Applications Corp., which comprise the consolidated statements of financial position as at June 30, 2018 and 2017, and the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity 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.

**Auditor's 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 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, 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 Global Cannabis Applications Corp. as at June 30, 2018 and 2017, and its financial performance 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 describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Global Cannabis Applications Corp's. ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
October 29, 2018

# GLOBAL CANNABIS APPLICATIONS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian Dollars)

| | | **June 30, 2018** | | June 30, 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | **$** | **629,873** | $ | 111,597 |
| GST receivable | | **71,239** | | 9,094 |
| Loan receivable (Note 6) | | **2,616,438** | | - |
| Prepaid expenses | | **120,367** | | 3,193 |
| | | **3,437,917** | | 123,884 |
| Deposit | | **11,500** | | - |
| Intangible assets (Note 4) | | **569,362** | | 909,459 |
| Equipment (Note 5) | | **756** | | 1,260 |
| | **$** | **4,019,535** | $ | 1,034,603 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **Current liabilities** | | | | |
| Accounts payable (Note 7) | **$** | **246,455** | $ | 179,519 |
| Loan payable (Note 6) | | **465,249** | | 396,559 |
| | | **711,704** | | 576,078 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital (Note 8) | | **12,118,928** | | 4,766,113 |
| Subscriptions Received (Note 8) | | **93,249** | | - |
| Share-based payment reserve (Note 8) | | **1,949,361** | | 1,073,009 |
| Deficit | | **(10,853,707)** | | (5,380,597) |
| | | **3,307,831** | | 458,525 |
| | **$** | **4,019,535** | $ | 1,034,603 |

Going concern (Note 1)
Subsequent events (Note 12)

**Approved on behalf of the Board:**

| | |
|---|---|
| *"Bradley Moore"* | *"Alexander Helmel"* |
| Bradley Moore | Alexander Helmel |

**GLOBAL CANNABIS APPLICATIONS CORP.**
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Stated in Canadian Dollars)

| | Year ended June 30 | |
|---|---|---|
| | **2018** | 2017 |
| **Expenses:** | | |
| Accounting and audit fees | **$ 30,753** | $ 18,000 |
| Amotization of intangible asssets (Note 4) | **233,643** | 164,306 |
| Bank and interest charges (Note 6) | **74,511** | 70,784 |
| Consulting fees (Notes 6, 7 and 8) | **2,078,392** | 553,893 |
| Depreciation of equipment (Note 5) | **504** | 504 |
| Impairment of intangible asset (Notes 4) | **106,454** | 30,000 |
| Legal fees | **59,217** | 1,800 |
| Marketing | **1,529,957** | 378,478 |
| Office and miscellaneous | **90,175** | 16,932 |
| Research and development costs (Notes 4 and 7) | **208,851** | 90,563 |
| Share-based payments (Notes 7 and 8) | **985,317** | 105,353 |
| Transfer agent, listing, and filing fees | **47,291** | 37,587 |
| Travel | **144,483** | 37,177 |
| | **(5,589,548)** | (1,505,377) |
| **Other items:** | | |
| Interest income (Note 6) | **116,438** | - |
| Gain on debt settlements | **-** | 28,936 |
| Net and comprehensive loss | **$ (5, 473,110)** | $ (1,476,441) |
| Basic and diluted loss per share | **$ (0.09)** | $ (0.044) |
| Weighted average number of common shares outstanding | **59,393,442** | 33,520,918 |

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

**GLOBAL CANNABIS APPLICATIONS CORP.**
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

| | Year ended June 30, 2018 | Year ended June 30, 2017 |
|---|---|---|
| Operating Activities | | |
| Net loss | **$ (5,473,110)** | $ (1,476,441) |
| Items not affecting cash: | | |
| Depreciation and amortization | **234,147** | 164,810 |
| Impairment of intangible assets | **106,454** | 30,000 |
| Interest income | **(116,438)** | - |
| Accrued interest | **31,190** | 32,358 |
| Finance cost | **37,500** | (37,500) |
| Consulting fee | **500,000** | - |
| Share-based compensation | **985,317** | 105,353 |
| Shares issued for services | **-** | 2,000 |
| Gain on debt settlements | **-** | (28,936) |
| Changes in non-cash working capital items related to operations: | | |
| GST receivable | **(62,144)** | 14,423 |
| Prepaid expenses and deposits | **(128,675)** | 68,474 |
| Accounts payable | **256,840** | 516,112 |
| Cash used in operating activities | **(3,628,919)** | (609,346) |
| Financing Activities | | |
| Loans repaid | **-** | (25,000) |
| Shares subscriptions received | **93,249** | - |
| Shares issued for cash, net of issue costs | **7,053,946** | 724,809 |
| Cash provided by financing activities | **7,147,195** | 699,809 |
| Investing Activities | | |
| Loan receivable | **(3,000,000)** | - |
| Cash used in Investing activities | **(3,000,000)** | - |
| Increase in cash | **518,276** | 90,463 |
| Cash, beginning | **111,597** | 21,134 |
| Cash, ending | **$ 629,873** | $ 111,597 |

Non-cash transactions – Note 11

## GLOBAL CANNABIS APPLICATIONS CORP.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Stated in Canadian Dollars)

| | Share capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Obligation to issue shares | Subscriptions Received | Share-based payment reserve | Deficit | Total |
| **Balance, June 30, 2016** | **24,566,119** | **$ 2,697,081** | **$ -** | **$ -** | **$ 961,677** | **$ (3,904,156)** | **$ (245,398)** |
| Shares issued for cash net of costs (Note 8) | 9,560,846 | 718,830 | - | - | 5,979 | - | 724,809 |
| Shares issued for debt (Note 8) | 5,497,044 | 534,827 | - | - | - | - | 534,827 |
| Shares issued for acquisition (Notes 4 and 8) | 4,675,000 | 631,125 | 182,250 | - | - | - | 813,375 |
| Shares issued for services (Notes 4 and 8) | 50,000 | 2,000 | | | | | 2,000 |
| Shares cancelled for non-achievement of milestones (Note 8) | (960,000) | - | - | - | - | - | - |
| Shares cancelled for services not performed (Note 8) | (50,000) | | | | | | |
| Share based payments (Note 8) | - | - | - | - | 105,353 | - | 105,353 |
| Net and comprehensive loss | - | - | - | - | - | (1,476,441) | (1,476,441) |
| **Balance, June 30, 2017** | **43,339,009** | **4,583,863** | **182,250** | **-** | **1,073,009** | **(5,380,597)** | **458,525** |
| Shares issued for cash net of costs (Note 8) | 35,462,485 | 7,162,911 | - | - | (108,965) | - | 7,053,946 |
| Shares issued for debt (Note 8) | 575,467 | 189,904 | - | - | - | - | 189,904 |
| Subscriptions received | - | - | - | 93,249 | - | - | 93,249 |
| Share based payments (Note 8) | - | - | - | - | 985,317 | - | 985,317 |
| Net and comprehensive loss | - | - | - | - | - | (5,473,110) | (5,473,110) |
| **Balance, June 30, 2018** | **79,376,961** | **$11,936,678** | **$ 182,250** | **$ 93,249** | **$ 1,949,361** | **$(10,853,707)** | **$ 3,307,831** |

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

## 1. Nature and Continuance of Operations

Global Cannabis Applications Corp. (the "Company" or "Global Cannabis") was incorporated on July 14, 2014, under the *Business Corporation Act* (British Columbia). The Company's shares trade on the Canadian Securities Exchange ("CSE") under the trading symbol "APP". The head office of the Company is Suite 1500, 1055 West Georgia Street, Vancouver, BC V6E 4N7. The Compny develops applications for smartphones and tables.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2018, the Company has not generated any revenues from operations and has an accumulated deficit of $10,853,707. The continued operations of the Company are dependent on its ability to generate future cash flows from operations or obtain additional financing. 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 any adjustments that may be necessary if the Company is unable to continue as a going concern. Management intends to finance operating costs over the next twelve months with private placements of common shares and loans from directors. While management has been successful in obtaining sufficient funding for its operating and capital requirements from the inception of the Company to date, there is no assurance that additional funding will be available to the Company, when required, or on terms which are acceptable to management.

## 2. Statement of Compliance

The financial statements were authorized for issue on October 29, 2018, by the directors of the Company.

*Statement of Compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as applicable to the preparation of annual financial statements.

## 3. Significant Accounting Policies

*Basis of Measurement*

The financial statements have been prepared on an accrual basis except for certain financial instruments, and are based on historical costs. The financial statements are presented in Canadian dollars which is also the Company's functional currency.

*Consolidation*

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

| | **Country of incorporation** | **Percentage owned*** | |
|---|---|---|---|
| | | **June 30, 2018** | **Jun 30, 2017** |
| Antisocial Holdings Ltd. | Canada | 100% | 100% |
| FORO Technologies Inc. | Canada | 100% | 100% |
| GCAC Europe UAB | Lithuania | 100% | 0% |
| GCAC Australia Pty Ltd. | Australia | 61% | 0% |
| OPINIT LLC. | USA | 100% | 100% |

*Percentage of voting power is in proportion to ownership.

**3. Significant Accounting Policies (continued)**

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

*Significant Estimates and Assumptions*

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and estimating the fair value for share-based payment transactions. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

*Significant Judgements*

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's accounting policies in these financial statements was:

- Evaluating whether or not costs incurred by the Company in developing its smartphone applications meet the criteria for capitalizing as intangible assets. Management determined that as at June 30, 2018, it was not able to demonstrate with sufficient certainty that it is probable the economic benefits will flow to the Company. Accordingly, all research and development costs incurred to date have been capitalized.

- Evaluating whether or not there are indicators of impairment relating to the costs capitalized by the Company for the smartphone applications are assessed for indicators of impairment.

- Evaluating whether or not the Company can recover its loan receivable within a year.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1) and the classification of its financial instruments.

*Foreign currency translation*

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

**3. Significant Accounting Policies (continued)**

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

*Equipment*

Equipment is recorded at cost, less accumulated depreciation and accumulated net impairment losses.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in net earnings over the estimated useful lives of each part of an item of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits of the asset.

Depreciation is recognized as follows: Computer equipment 20% - 50% declining balance

*Intangibles*

Separately acquired intellectual property and intellectual property rights, application software, and trademarks are recorded at cost. Intellectual property and intellectual property rights, application software, and trademarks acquired in a business combination are recognized at fair value at the acquisition date. Intellectual property and intellectual property rights, application software, and trademarks have a finite usefule life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the items over their estimated useful lives of five years.

*Research and development*

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Company’s development group, are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life of five years.

**3. Significant Accounting Policies (continued)**

*Share-based payments*

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 the Black–Scholes Option Pricing Model. 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.

*Loss per share*

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Because the Company has reported a net loss for the periods presented, the effect of options and warrants would be anti-dilutive. Accordingly, diluted loss per share equals basic loss per share.

*Financial instruments*

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Cash and loan receivable are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

**3. Significant Accounting Policies (continued)**

*Financial instruments (continued)*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's non-derivative financial liabilities consist of accounts payable, due to related parties and short-term loans.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

*Impairment of assets*

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

*Cash*

Cash includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

**3. Significant Accounting Policies (continued)**

*Income taxes*

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided annually, using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed annually, at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

*Changes in Accounting Policies*

New standard IFRS 9 "Financial Instruments":

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is 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 in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company has not early adopted this new standard and is currently assessing the impact that this standard will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

(Stated in Canadian Dollars)

**4. Intangible Assets**

| | OPINIT | Serum | Foro and Truth | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| Balance, June 30, 2016 | $ - | $ 60,000 | $ 354,842 | $ 414,842 |
| Additions | 813,375 | - | - | 813,375 |
| Balance June 30, 2017 | 813,375 | 60,000 | 354,842 | 1,228,217 |
| Additions | - | - | - | - |
| **Balance June 30, 2018** | **$ 813,375** | **$ 60,000** | **$ 354,842** | **$ 1,228,217** |
| **Accumulated amortization:** | | | | |
| Balance, June 30, 2016 | $ - | $ 18,000 | $ 106,452 | $ 124,452 |
| Impairment | - | 30,000 | - | 30,000 |
| Amortization | 81,338 | 12,000 | 70,968 | 164,306 |
| Balance, June 30, 2017 | 81,338 | 60,000 | 177,420 | 318,758 |
| Impairment | - | - | 106,454 | 106,454 |
| Amortization | 162,675 | - | 70,968 | 233,643 |
| **Balance June 30, 2018** | **$ 244,013** | **$ 60,000** | **$ 354,842** | **$ 658,855** |
| **Carrying amount:** | | | | |
| **Balance June 30, 2017** | $ 732,037 | $ - | $ 177,422 | $ 909,459 |
| **Balance June 30, 2018** | **$ 569,362** | **$ -** | **$ -** | **$ 569,362** |

On September 21, 2016, the Company completed the acquisition of OPINIT LLC ("OPINIT"), acquiring a mobile application whereby the Company issued 7,500,000 shares for 100% of the issued and outstanding shares of OPINIT (Note 8). Of the 7,500,000 shares, 3,500,000 with a fair value of $472,500 were released immediately and the remaining 4,000,000 shares (the "Milestone Shares") are subject to release restrictions whereby they shall be released upon achievement of certain milestones. A total of 2,000,000 of the Milestone Shares shall be released upon the completion of the development and release of the BETA version of the university instance desktop portal including integration feeds from OPINIT mobile application and the Foro mobile application. The remaining 2,000,000 Milestone Shares will be released pro-rata to the Opinit Shareholders in connection with the combined user counts of both the OPINIT mobile application and the Foro Mobile Application. The milestone shares were valued on the date of the acquisition based on the probability that they would be realized in the future and an additional $317,250 was recorded. On December 28, 2016, the total combined user count was over 300,000, accordingly, the Company released 1,000,000 Milestone shares with a fair value of $135,000. In addition to the shares released for the milestone, 50,000 shares with a fair value of $2,000 were issued for advisory fees related to reaching the milestone. The Company issued 175,000 shares, which have been recorded with a fair value of $23,625, to an arm's-length finder. In the event that the Company enters into any form of amalgamation, merger, arrangement or similar transaction which results in the acquisition of 20% or more of the voting securities of the Company, the entirety of the Milestone Shares will be issued and released to the OPINIT shareholders

In 2014, the Company acquired the Serum, Foro and Truth mobile applications and commenced development of the Citizen Green mobile application in 2016. During the years ended June 30, 2018 and 2017, the Serum and Foro and Truth applications were fully impaired. During the year ended June 30, 2018, the Company recorded impairment of $106,454 (2017: $30,000).

During the year ended June 30, 2018, costs incurred of $208,851 (2017: $90,563) have been expensed as research and development as these costs do not meet capitalization criteria.

(Stated in Canadian Dollars)

## 5. Equipment

| | | |
|---|---|---|
| **Cost:** | | |
| Balance, June 30, 2018 and 2017 | $ | 7,067 |
| | | |
| **Accumulated depreciation:** | | |
| Balance, June 30, 2016 | $ | 5,303 |
| Depreciation | | 504 |
| Balance, June 30, 2017 | | 5,807 |
| Depreciation | | 504 |
| Balance June 30, 2018 | $ | 6,311 |
| | | |
| **Carrying amount:** | | |
| As at June 30, 2017 | $ | 1,260 |
| **As at June 30, 2018** | **$** | **756** |

## 6. Short Term Loans

*Payable*

During the year ended June 30, 2017, all the short term loans and outstanding interest were renegotiated and consolidated into a single unsecured, due on demand loan. The loan bears an interest of 7% per annum. The Company paid the lender $75,000 as an arrangement fee in connection with the re-negotiation which was recorded as reduction of the debt. During the year ended June 30, 2018, $37,500 of the re-negotation fee was expensed as interest (2017: $37,500).

The changes in loans during the years are as follows:

| | Principal | Interest | Deferred financing | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| Balance, June 30, 2016 | $ 427,420 | $ 35,520 | $ - | $ 462,940 |
| Principal and interest consolidaiton | 51,296 | (35,520) | - | 15,776 |
| Repayments in cash | (25,000) | - | - | (25,000) |
| Repayments in shares | (35,000) | - | - | (35,000) |
| Interest | - | 15,343 | - | 15,343 |
| Re-negotiation fee | - | - | (75,000) | (75,000) |
| Amortization | - | - | 37,500 | 37,500 |
| Balance June 30, 2017 | 418,716 | 15,343 | (37,500) | 396,559 |
| Interest | | 31,190 | | 31,190 |
| Amortization | - | - | 37,500 | 37,500 |
| **Balance June 30, 2018** | **$ 418,716** | **$ 46,533** | **$ -** | **$ 465,249** |

*Receivable*

During the year ended June 30, 2018, the Company entered into a loan agreement whereby it is committed to loan a arm's length party ("borrower") $4,000,000. The loan is to be used to support the marketing and listing of the Company's token. During the year ended June 30, 2018 the Company advanced $3,000,000 to the borrower. The Company is obligationed to advance an additional $1,000,000 to the borrower. The term of the loan is 1 year, bears no interest prior to the maturity date and 12% per annum after the maturity date of April 6, 2019. The loan bears no interest as the borrower is expected to provide services to the Company in connection with the proposed token offering. The loan is secured by 13,636,363 shares of the Company owned by the significant shareholder. The Company determined the fair value of the loan receivable to be $2,500,000 using a discount rate of 20% over the 1 year term of the loan. The Company expensed the discount of $500,000 as a consulting fee and recognized interest income of $116,438 being the amortization of the discount. Subsequent to June 30, 2018, the Company advanced the borrower an additional $500,000 (Note 12).

## 7. Related Party Transactions

***Key management compensation***

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. The Company considers its Chief Executive Officer, Chief Financial Officer and directors of the Company to be key management. The Company has incurred charges during the year from directors and senior management, or companies controlled by them, for management fees and consulting fees in the amount of $507,256 (2017: $328,042).

During the year ended June 30, 2018, share based compensation for key management during the period totaled $316,708 (2017: $59,519).

During the year ended June 30, 2018, research and development costs totalling $Nil (2017: $12,000) were expensed to related parties.

During the year ended June 30, 2018, advertising and promotion costs totalling $31,733 (2017: $Nil) were expensed to related parties.

At June 30, 2018, a balance of $Nil (2017: $305) was owing to related parties. This amount is unsecured, non-interest bearing and due on demand.

## 8. Share Capital

### a) Authorized

Unlimited common shares, without par value.

### b) Issued

<u>During the year ended June 30, 2018</u>

The Company issued 1,180,000 common shares for total proceeds of $223,050 pursuant to the exercise of options and 5,134,640 common shares for total proceeds of $783,693 pursuant to the exercise of warrants. On issuance, a total $150,700 was re-allocated from share based payment reserve.

On March 22, 2018, the Company closed a non-brokered private placement, issuing a total of 14,931,963 units at a price of $0.33 per unit for gross proceeds of $4,927,547. Each unit was comprised of one common share and one common share purchase warrant entitling the holder to purchase one additional common share of the Company for a period of two years from closing at an exercise price of $0.55 per share. The Company paid a total of $291,369 in cash, issued a total of 303,030 finder's units fair valued at $100,000, and issued a total of 40,957 finders warrants fair valued at $41,735. The fair value of the warrants was determined by the Black-Scholes Option Pricing Model using the following assumptions: expected life – 2 years, average risk-free interest rate 1.85%, expected dividend yield – 0%, and average expected stock price volatility – 100%.

On November 28, 2017, the Company closed a non-brokered private placement, issuing a total of 3,501,852 units at a price of $0.135 per unit for gross proceeds of $472,750. Each unit was comprised of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company for a period of two years from closing at an exercise price of $0.17 per share.

On November 15, 2017, the Company closed a private placement of 2,300,000 units at a price of $0.10 per unit for gross proceeds of $230,000. Each unit was comprised of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company for a period of two years at an exercise price of $0.13 per common share. A cash finders fee of $300 was paid in connection with this transaction.

On October 10, 2017, the Company closed a non-brokered private placement issuing of 4,010,000 units at a price of $0.10 per unit in exchange for gross proceeds of $401,000. Each unit was comprised of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share for a period of two years at an exercise price of $0.13 per warrant share.

On August 9, 2017, the Company completed a private placement of 4,101,000 units at a price of $0.075 per unit for gross proceeds of $307,575. Each unit was comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.10 at any time prior to August 9, 2022.

The company issued 575,467 common shares to settle $189,904 of debt. The common shares are fair valued at $189,904 and no gain or loss on settlement was recorded.

The Company received proceeds of $93,249 for the private placement completed subsequent to the year end. (Note 12)

<u>During the year ended June 30, 2017</u>

On April 24, 2017, the Company completed a private placement of 3,666,665 units at a price of $0.075 per unit for gross proceeds of $275,000. Each unit was comprised of one common share and one half common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.10 at any time prior to April 24, 2019.

On March 10, 2017, the Company issued 300,000 shares to settle $30,000 of debt. Each share was fair valued at $0.06 per share and a gain on settlement of $12,000 was realized.

On March 2, 2017, the Company issued 1,500,000 shares to setttle $75,000 of debt. Each share was fair valued at 0.06 per share and a loss on settlement of $15,000 was realized.

On February 27, 2017, the Company completed a private placement of 3,500,000 shares at a price of $0.05 per share for gross proceeds of $175,000. Finder's fees totalaling $3,000 in cash, 250,000 finders shares with a fair value of $12,500 and 250,000 broker warrants with fair value of $5,817 were issued in connection with this private placement. Each broker's warrant is exercisable into one common share at a price of $0.10 until February 27, 2018.

On February 15, 2017, the Company issued 500,000 shares to settle $50,000 of debt. Each share was fair valued at $0.05 per share and a gain on settlement of $25,000 was realized.

On December 28, 2016, the Company issued 1,000,000 shares in connection with OPINIT milestone completion. The Company issued 50,000 shares to an advisor for service valued at $2,000 in connection with reaching a milestone (Note 4).

On November 29, 2016, the Company completed a private placement of 623,727 units at a price of $0.11 per unit for gross proceeds of $68,610. Each unit was comprised of one common share and one half common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.30 at any time prior to November 28, 2018. Finder's fees totaling $801 in cash were paid and 7,280 broker warrants with fair value of $162 were issued in connection with this private placement. Each broker's warrant is exercisable into one common share at a price of $0.30 at any time prior to November 28, 2018.

(Stated in Canadian Dollars)

On November 29, 2016, the Company issued 909,090 share to settle $100,000 of debt to related parties. Each share was fair valued at $0.09 per share and a gain on settlement of $18,182 was realized.

On October 24, 2016, the Company completed a private placement of 1,045,454 units at a price of $0.11 per unit for gross proceeds of $115,000. Each unit was comprised of one common share and one half common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.30 at any time prior to October 25, 2018.

On October 24, 2016, the Company issued 1,664,772 shares to settle $183,125 of debt. Each share was fair valued at $0.11 per share.

On September 21, 2016, the Company completed the acquisition of OPINIT pursuant to which the Company exchanged an aggregate of 3,500,000 common shares in the capital of the Company for 100 per cent of the issued and outstanding shares of OPINIT. Concurrent with the acquisition, the Company issued 175,000 shares to an arm's-length finder (Note 4).

On July 18, 2016, 2016, the Company completed a private placement of 475,000 units at a price of $0.20 per unit for gross proceeds of $95,000. Each unit was comprised of one common share and one half common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.30 at any time prior to July 18, 2018.

On July 18, 2016, the Company issued 580,000 shares to settle $116,000 of debt. Each share was fair valued at $0.22 and a loss on settlement of $11,600 was realized.

On July 5, 2016, the Company issued 43,182 shares to settle $9,638 of debt. Each share was fair valued at $0.215 and a gain on settlement of $353 was realized.

On July 11, 2016, the Company returned 50,000 shares to treasury as performance conditions by a consultant were not met.

On July 18, 2016, the Company returned 960,000 shares to treasury as performance conditions under the Foro Technologies Inc acquisition were not met.

**c) Warrants**

The change in warrants during the years ended June 30, 2018, and 2017 is as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| Balance, June 30, 2016 | 2,912,128 | $ 0.30 |
| Granted | 3,162,703 | 0.15 |
| Expired | (657,239) | 0.30 |
| Balance, June 30, 2017 | 5,417,592 | 0.22 |
| Granted | 27,437,876 | 0.36 |
| Exercised | (5,134,640) | 0.15 |
| Expired | (902,169) | 0.30 |
| **Balance, June 30, 2018** | **26,818,659** | **$ 0.38** |

(Stated in Canadian Dollars)

The following table summarizes the warrants outstanding and exercisable at June 30, 2018:

| Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|
| 900,000 | $0.30 | June 2, 2021 |
| 62,500 | $0.30 | July 13, 2018 |
| 272,727 | $0.30 | October 24, 2018 |
| 278,224 | $0.30 | November 29, 2018 |
| 1,833,333 | $0.30 | April 24, 2019 |
| 3,035,000 | $0.10 | August 11, 2022 |
| 3,110,000 | $0.10 | October 10, 2019 |
| 300,000 | $0.10 | November 15, 2019 |
| 1,750,926 | $0.13 | November 28, 2019 |
| 15,275,950 | $0.55 | March 22, 2020 |
| **26,818,659** | **$0.38** | |

At June 30, 2018, the weighted average remaining contractual life of all warrants outstanding was 1.87 years.

**d) Share-based compensation**

The Company has a stock option plan whereby share purchase options are granted in accordance with the policies of regulatory authorities at an exercise price equal to the market price of the Company's shares on the date of the grant and, unless otherwise stated, vest on the grant date and with a term not to exceed ten years. Under the plan, the board of directors may grant up to 10% of the issued number of shares outstanding as at the date of the share purchase option grant.

On May 22, 2018, the Company granted 600,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.34 until May 22, 2023. These options vested immediately.

On May 14, 2018, the Company granted 125,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.365 until May 14, 2023. These options vested immediately.

On April 3, 2018, the Company granted 55,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.27 until April 3, 2023. These options vested immediately.

On March 19, 2018, the Company granted 125,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.325 until March 19, 2023. These options vested immediately.

On February 27, 2018, the Company granted 425,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.37 until February 27, 2023. These options vested immediately.

On January 31, 2018, the Company granted 50,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.64 until January 31, 2023. These options vested immediately.

On January 2, 2018, the Company granted 300,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.72 until January 2, 2023. These options vested immediately.

(Stated in Canadian Dollars)

On November 24, 2017, the Company granted 500,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.40 until November 24, 2022. These options vested immediately.

On November 22, 2017, the Company granted 375,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.32 until November 22, 2022. These options vested immediately.

On November 20, 2017, the Company granted 500,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.16 until November 20, 2022. These options vested immediately.

On October 12, 2017, the Company granted 100,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.14 until October 12, 2022. These options vested immediately.

On September 29, 2017, the Company granted 250,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.15 until September 29, 2022. These options vested immediately.

On September 11, 2017, the Company granted 650,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.135 until September 11, 2022. These options vested immediately.

On March 24, 2017, the Company granted 200,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.10 until March 24, 2027. These options vested immediately.

On March 7, 2017, the Company granted 1,000,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.10 until March 7, 2027. These options vested immediately.

On October 24, 2016, the Company granted 560,000 share purchase options to directors, officers or consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of $0.15 until October 24, 2021. These options vested immediately.

A continuity of the changes in the Company's share purchase options is as follows:

| | **Options** | **Weighted Average Exercise Price** |
|---|---|---|
| Balance, June 30, 2016 | 1,800,000 | $ 0.29 |
| Granted | 1,760,000 | 0.12 |
| Balance, June 30, 2017 | 3,560,000 | 0.21 |
| Granted | 4,055,000 | 0.31 |
| Expired/forfeited | (585,000) | 0.15 |
| Exercised | (1,180,000) | 0.19 |
| **Balance June 30, 2018** | **5,850,000** | **$ 0.29** |

(Stated in Canadian Dollars)

A summary of the Company's outstanding and exercisable stock options at June 30, 2018 is as follows:

| Exercise price | Remaining contractual life | Number of options outstanding | Expiry Dates |
|---|---|---|---|
| $0.50 | 1.22 years | 250,000 | September 18, 2019 |
| $0.26 | 2.10 years | 145,000 | August 4, 2020 |
| $0.26 | 2.86 years | 900,000 | May 10, 2021 |
| $0.15 | 3.32 years | 200,000 | October 4, 2021 |
| $0.10 | 8.69 years | 600,000 | March 7, 2027 |
| $0.10 | 8.74 years | 100,000 | March 24, 2027 |
| $0.135 | 4.20 years | 600,000 | September 11, 2022 |
| $0.14 | 4.25 years | 100,000 | October 12, 2022 |
| $0.16 | 4.29 years | 500,000 | November 20, 2022 |
| $0.315 | 4.40 years | 275,000 | November 22, 2022 |
| $0.395 | 4.41 years | 500,000 | November 24, 2022 |
| $0.72 | 4.51 years | 300,000 | January 2, 2023 |
| $0.64 | 4.59 years | 50,000 | January 31, 2023 |
| $0.37 | 4.67 years | 425,000 | Feburary 27, 2023 |
| $0.325 | 4.72 years | 125,000 | March 19, 2023 |
| $0.27 | 4.76 years | 55,000 | April 3, 2023 |
| $0.36 | 4.87 years | 125,000 | May 14, 2023 |
| $0.34 | 4.90 years | 600,000 | May 22, 2023 |
| **$0.29** | **4.52 years** | **5,850,000** | |

During the year ended June 30, 2018, stock based compensation of $985,317 was recognized on the grant of stock options. The weighted average grant date fair value of the options was $0.24. The Company uses the Black-Scholes Option Pricing Model using the following weighted assumptions during this period: expected life – 5 years, average risk-free interest rate 1.63% - 2.31%, expected dividend yield – 0%, and average expected stock price volatility – 100%.

During the year ended June 30, 2017, stock based compensation of $105,353 was recognized on the grant of stock options. The weighted average grant date fair value of the options granted was $0.07. The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted using the following weighted average assumptions: expected life: 8.4 years, Dividend yield: Nil, Annualized volatility: 100%, Risk-free interest rate: 1.38%.

**e) Share based payment reserve**

Reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

**f) Loss per share**

The calculation of basic and diluted loss per share for the year ended June 30, 2018, was based on the loss attributable to common shareholders of $5,473,110 (2017 - $1,476,441) and the weighted average number of common shares outstanding of 59,393,442 (2017 – 33,520,918).

## 9. Financial Risk and Capital Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its loan receivable. This risk is managed by obtaining a loan security of 13,636,363 shares of the Company owned by the borrower.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

*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. Management does not believe the Company is exposed to significant interest rate risk cash is non interest bearing and liabilities bear interest at a fixed rate as at June 30, 2018.

*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 exposed to significant foreign exchange risk.

*Fair value*

The carrying value of cash, accounts payable and short term loans approximate their fair value due to the relatively short-term nature of these instruments.

*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 continue the development of mobile applications. As the Company is in the preliminary stages of operations, 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 is not subject to externally imposed capital requirements. There were no changes in management's approach to managing capital.

(Stated in Canadian Dollars)

**10. Income Tax**

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Net loss for the year | $ (5,473,110) | $ (1,476,441) |
| Canadian federal and provincial income tax rates | 27% | 26% |
| Expected income tax recovery | (1,477,740) | (383,875) |
| Non-deductible items | 369,598 | 32,607 |
| Other | 15,945 | (988) |
| Change in valuation allowance | 1,092,197 | 352,256 |
| | $ - | $ - |

The Company has the following tax effected deductible temporary differences for which no deferred tax asset has been recognized:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Non-capital loss carry-forwards | $ 2,045,451 | $ 1,053,199 |
| Share issuance costs | 97,739 | 19,256 |
| Equipment and intangibles | 92,589 | 71,127 |
| | $ 2,235,779 | $ 1,143,582 |

The Company has accumulated tax losses and other tax pools which may be used to reduce future year's taxable income. These amounts expire as follows:

| | |
|---|---|
| 2034 | $ 97,474 |
| 2035 | 990,097 |
| 2036 | 1,412,048 |
| 2037 | 1,209,064 |
| 2038 | 3,867,062 |
| | $ 7,575,745 |

A valuation allowance has been recorded against the deferred income tax assets associated with the tax losses and temporary differences because of the uncertainty of their recovery.

**11. Non-Cash Transactions**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flow.

During the year ended June 30, 2018, the Company:

- Issued 575,467 common shares to settle total debts of $189,904 (Note 8).

During the year ended June 30, 2017, the Company:

- Issued 5,497,044 to settle total debts of $543,009 (Note 8); and
- Issued 4,675,000 to acquire OPINIT LLC (Note 4 and 8).

**12. Subsequent Events**

On July 18, 2018 the Company announced that it closed its non-brokered private placement for 7,742,267 units at a price of $0.21 per unit for gross proceeds of $1,625,876. Each unit is comprised of one common share of the Company and one common share purchase warrant exercisable to purchase one additional common share of the Company at a price of $0.33 cents for a period of 24 months expiring July 18, 2020. In connection with the private placement, the company paid finders' fees of $74,152 and issued 514,811 finders' warrants. In addition, the company issued an aggregate of 413,813 finders' units to certain finders. Each finder's warrant has the same terms as the warrants, and each finder's unit has the same terms as the units.

On July 9, 2018 the Company advanced a further $500,000 as per the loan agreement dated April 6, 2018 (Note 6).

959,000 warrants were exercised for gross proceeds of $133,830 and 86,000 options were exercised for gross proceeds of $14,620.

The Company granted 1,175,000 stock options with exercise prices of $0.165 to $0.29 for 5 years.