APPX CRYPTO TECHNOLOGIES INC.
(FORMERLY APPATURE MOBILE APPLICATIONS INC.)

Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP

1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of APPx Crypto Technologies Inc. (formerly Appature Technologies Inc.)

We have audited the accompanying consolidated financial statements of APPx Crypto Technologies Inc. (formerly Appature Technologies Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016 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 of the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 25, 2018

APPX Crypto Technologies Inc. (formerly Appature Mobile Applications Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2017 $	December 31, 2016 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	101,867	19,314
Amounts receivable	5,726	2,569
Prepaid expenses	–	13,750
TOTAL CURRENT ASSETS	107,593	35,633
NON-CURRENT ASSETS		
Intangible assets (Notes 5 and 8)	442,368	507,409
TOTAL ASSETS	549,961	543,042
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	237,638	184,464
Loan payable (Note 6)	15,000	15,000
TOTAL LIABILITIES	252,638	199,464
SHAREHOLDERS' EQUITY		
Share capital	1,159,269	712,455
Share subscriptions receivable (Note 7)	(180,000)	–
Special warrants subscriptions received (Note 7)	64,045	–
Deficit	(769,372)	(368,877)
TOTAL APPX CRYPTO TECHNOLOGIES INC. SHAREHOLDERS' EQUITY	273,942	343,578
Non-controlling interest	23,381	–
TOTAL SHAREHOLDERS' EQUITY	297,323	343,578
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	549,961	543,042

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

Approved and authorized for issuance on behalf of the Board of Directors on April 25, 2018:

/s/ "Rahim Mohamed"
Rahim Mohamed, Director

/s/ "Jay Ruckenstein"
Jay Ruckenstein, Director

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

Appx Crypto Technologies Inc. (formerly Appature Mobile Applications Inc.)
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31, 2017 $	Year ended December 31, 2016 $
REVENUE	3,556	–
EXPENSES		
Advertising and promotion	2,116	3,770
Amortization (Note 4)	140,466	72,690
Consulting and management fees (Note 8)	169,017	127,500
General and administrative	8,808	17,297
Professional fees	53,549	18,574
Transfer agent and filing fees	437	–
TOTAL EXPENSES	374,393	239,831
LOSS BEFORE OTHER EXPENSES	(370,837)	(239,831)
OTHER EXPENSES		
Restructuring costs (Note 4)	(38,899)	–
Write-down of intangible assets (Note 5)	–	(11,167)
TOTAL OTHER EXPENSES	(38,899)	(11,167)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(409,736)	(250,998)
Less: net loss attributable to the non-controlling interest	9,241	–
NET LOSS ATTRIBUTABLE TO APPX CRYPTO TECHNOLOGIES INC.	(400,495)	(250,998)
Loss per share attributed to APPx Crypto Technologies Inc., basic and diluted	(0.02)	(0.02)
Weighted average number of common shares outstanding	20,233,479	14,735,119

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

Appx Crypto Technologies Inc. (formerly Appature Mobile Applications Inc.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital		Share subscriptions receivable	Shares issuable	Special warrants subscriptions received	Deficit	Non-controlling interest	Total
	Number	$	$	$	$	$	$	$
Balance, December 31, 2015	12,204,993	500,364	–	89,515	–	(117,879)	–	472,000
Shares issued for private placement	1,520,000	76,000	–	–	–	–	–	76,000
Shares issued for intangible asset acquisition	1,000,000	50,000	–	–	–	–	–	50,000
Shares issued for share exchange agreement	2,564,800	89,515	–	(89,515)	–	–	–	–
Share issuance costs	–	(3,424)	–	–	–	–	–	(3,424)
Net loss for the year	–	–	–	–	–	(250,998)	–	(250,998)
Balance, December 31, 2016	17,289,793	712,455	–	–	–	(368,877)	–	343,578
Shares repurchased	(100,000)	(5,000)	–	–	–	–	–	(5,000)
Shares issued for private placement	3,170,000	317,000	(180,000)	–	–	–	–	137,000
Share issuance costs	257,000	–	–	–	–	–	–	–
Shares issued for settlement of debt	1,425,000	142,500	–	–	–	–	–	142,500
Special warrants subscriptions received	–	–	–	–	64,045	–	–	64,045
Shares issued for share exchange agreement	1,440,351	24,936	–	–	–	–	–	24,936
Non-controlling interest	(2,080,600)	(32,622)	–	–	–	–	32,622	–
Net loss for the year	–	–	–	–	–	(400,495)	(9,241)	(409,736)
Balance, December 31, 2017	21,401,544	1,159,269	(180,000)	–	64,045	(769,372)	23,381	297,323

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

Appx Crypto Technologies Inc. (formerly Appature Mobile Applications Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
OPERATING ACTIVITIES		
Net loss for the year	(409,736)	(250,998)
Items not involving cash:		
Amortization	140,466	72,690
Shares issued for restructuring costs	24,936	–
Write-down of intangible assets	–	11,167
Change in non-cash working capital items:		
Amounts receivable	(3,157)	(779)
Prepaid expenses	13,750	(13,750)
Accounts payable and accrued liabilities	174,274	78,470
Net cash used in operating activities	(59,467)	(103,200)
INVESTING ACTIVITIES		
Intangible assets costs	(54,025)	(9,266)
Net cash used in investing activities	(54,025)	(9,266)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	137,000	76,000
Repurchase of common shares	(5,000)	–
Share issuance costs	–	(3,424)
Proceeds from special warrants subscriptions received	64,045	–
Net cash provided by financing activities	196,045	72,576
Change in cash and cash equivalents	82,553	(39,890)
Cash and cash equivalents, beginning of year	19,314	59,204
Cash and cash equivalents, end of year	101,867	19,314
Cash and cash equivalents consist of:		
Cash in bank	849	19,314
Cash held in lawyer's trust account	101,018	–
Total cash and cash equivalents	101,867	19,314
Non-cash investing and financing activities:		
Additions to intangible assets included in accounts payable	21,400	–
Common shares issued for settlement of accounts payable	142,500	–
Common shares issued for acquisition of intangible assets	–	50,000

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

1. NATURE OF OPERATIONS AND GOING CONCERN

APPX Crypto Technologies Inc. (formerly Appature Mobile Applications Inc.) (the “Company” or “APPX”) is a private start-up technology incubator, specializing in launching, acquiring and vertically integrating technology companies. The Company incubates multiple mobile technologies internally while providing engineering, capital, executive management and strategic development services.

The Company was incorporated as CDN BVentures Ltd. on October 30, 2014 under the Business Corporations Act (British Columbia) as a wholly-owned subsidiary of a reporting issuer, Web Watcher Systems Ltd. (“Web Watcher”). On December 9, 2014, Web Watcher entered into an arrangement agreement (the “Arrangement Agreement”) with the Company. Under the terms of the Arrangement Agreement, Web Watcher was to complete a plan of arrangement which would divest Web Watcher of the asset consisting of a letter of intent, which would be divested to the Company for consideration of 1,440,351 common shares of the Company. Web Watcher received shareholder approval for the Arrangement Agreement at an annual general and special meeting of shareholders held on January 29, 2015 and received final approval to the Arrangement Agreement from the Supreme Court of British Columbia on February 5, 2015. The Arrangement Agreement was completed on October 24, 2017.

On October 26, 2017, the Company completed a share exchange agreement (the “Transaction”) with Appature Technologies Inc. (formerly Paraguay Minerals Corp.) (“ATI”). ATI was incorporated on December 31, 2007 under the laws of the province of British Columbia, Canada. On January 12, 2016, the Company changed its name from Paraguay Minerals Corp. to Appature Technologies Inc. The Company’s head office is located at Suite 200, 7355 Route Transcanadienne, Saint-Laurent, QC, H4T 1T3.

Under the terms of the Transaction, the Company issued 19,961,193 common shares in exchange for the equivalent number of issued and outstanding shares of ATI, which represents 90.56% ownership of ATI. As a result of the Transaction, the shareholders of ATI own 93.3% of APPX. Refer to Note 4.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Several conditions cast significant doubt on the validity of this assumption. At present, the Company has minimal operating income. During the year ended December 31, 2017, the Company has incurred a net loss of $409,736 (2016 - $250,998), has limited resources, no sources of operating cash flow, and no assurances that sufficient funding will be available to continue operations for an extended amount of time. As at December 31, 2017, the Company has working capital deficit of $145,045 (2016 – $163,831) and an accumulated deficit of $769,372 (2016 - $368,877). Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties cast doubt on the Company’s ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations.

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, the reported expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements include the accounts of the Company and its 90.56% owned subsidiary, ATI and ATI's wholly-owned subsidiary, Appature Technologies Inc. ("Appature AB"). All significant inter-company balances and transactions have been eliminated on consolidation.

(b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information and are presented in Canadian dollars, which is the Company's functional and reporting currency.

(c) Significant Accounting Judgments and Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions that effect the amounts reported in the consolidated financial statements and notes thereto. Actual amounts could differ from these estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. The impact of changes to estimates are recognized in the year estimates are revised and may impact future periods.

Critical Accounting Judgments:

<u>Categories of Financial Instruments</u>
The determination of categories of financial assets and financial liabilities has been identified as an accounting policy, which involves judgments or assessments made by management.

<u>Going Concern Assumption</u>
Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as current working capital balance and future commitments of the Company.

Critical Accounting Estimates:

<u>Unrecognized Deferred Income Tax Assets</u>
Unrecognized deferred income tax assets are made using the best estimate of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

<u>Fair Values of Assets and Liabilities Acquired in Business Combinations</u>
The Company is required to recognize separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

2. BASIS OF PRESENTATION (CONTINUED)

Fair Values of Share-based Compensation
The Company is required to recognize at the acquisition date the fair values of share-based compensation for assets acquired based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable and which involves estimates.

Useful Life of Intangible Assets
Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is calculated using management's best estimate on the useful life of the intangible assets. The Company reviews its estimate of the useful life of depreciable assets at each reporting date.

Recoverability of Intangible Assets
The Company assesses the carrying values of its intangible assets annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of the assets cannot be recovered, the unrecoverable amounts are charged against net loss. Recoverability is dependent upon assumptions and judgments regarding market conditions, costs of production, and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates, future cash flows and profit margins. A material change in assumptions may significantly impact the potential impairment of these assets.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial Assets
The Company classifies its financial assets into one of the following categories, at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of operations. Cash and cash equivalents is included in this category of financial assets.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Gains and losses are recognized in the consolidated statement of operations when the loans and receivables are derecognized or impaired, as well as through the amortization process. Amounts receivable is included in this category of financial assets.

Held-to-maturity - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of operations. The Company has no financial assets classified as held-to-maturity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial Instruments (continued)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of operations. The Company has no financial assets classified as available-for-sale.

Financial Liabilities
The Company holds financial liabilities in the form of non-derivatives that are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest rate method. Any difference between the amounts original received, net of transaction costs, and the redemption value is recognized in the consolidated statement of operations over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date. Accounts payable, accrued liabilities, and loan payable are included in this category of financial liabilities.

Share Capital
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(b) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(c) Intangible Assets

Intangible assets of the Company include technology rights and patents acquired from third parties, and are recorded at cost less accumulated amortization and accumulated impairment losses. Initial acquisition costs are based on the fair value of the consideration paid or payable, and will be amortized on a straight-line basis over the estimated useful life of the underlying technologies with finite lives. Once the Company begins commercial use of its acquired technologies, the intangible assets will be amortized on a straight-line basis over three years. The Company reviews the estimated useful lives and carrying values of its technology rights and patents as part of its periodic assessment for impairment of non-financial assets.

The carrying amounts for technology rights and patents do not necessarily reflect present or future value and the ultimate amounts recoverable will be dependent upon the successful development and commercialization of products based on these underlying technologies.

(d) Impairment of Non-Financial Assets

Impairment tests in non-financial assets are undertaken annually at the financial year-end and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An impairment loss is charged to the consolidated statement of operations, except to the extent they reverse gains previously recognized in other comprehensive income (loss).

(e) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Where the effect of the time value of money is material, provisions will be measured at the present value of the expenditures expected to be required to settle the obligation. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The increase in any provision due to the passage of time is recognized as accretion expense. Each provision will be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

(f) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

(g) Research and Development Costs

Research costs, including costs for new patents and patent applications, are expensed in the period in which they are incurred. Development costs are expensed in the period in which they are incurred unless certain criteria, including technical feasibility, commercial feasibility, and intent and ability to develop and use the technology, are met for deferral and amortization.

(h) Business Combinations and Goodwill

An acquisition of a business, (an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors), is a business combination. Determining whether the acquisition meets the definition of a business combination requires judgement to be applied on a case by case basis. Acquisitions are assessed under the relevant criteria to establish whether the transaction represents a business combination or an asset purchase. Depending on the specific facts, acquisitions of exploration and evaluation licences for which a development decision has not yet been made, have largely been concluded to represent asset purchases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations, except for transactions between entities under common control, are accounted for using the acquisition method of accounting. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition. Acquisition costs incurred are expensed in the consolidated statement of operations.

Goodwill (if any) is initially measured at the excess of the aggregate of the consideration transferred and the amount recognised for any non-controlling interest over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. The non-controlling interest is measured at fair value or at the proportion of the acquired entity's identifiable net assets as elected for each business combination. Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

(i) Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

(j) Comprehensive Loss

Comprehensive income (loss) is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the consolidated statement of operations.

(k) Income Taxes

Income tax on net income for the period presented comprises current and deferred tax. Income tax is recognized in the consolidated statement of operations, except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

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

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable net income, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the consolidated statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Foreign Currency Translation

The accounts of foreign balances and transactions are translated into Canadian currency as follows:

- Monetary assets and liabilities, at the rate of exchange in effect at the consolidated statement of financial position date;
- Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- Revenue and expense items, at the rate of exchange prevailing at the transaction date. Gains and losses arising from translation of foreign currency are included in the determination of net income (loss).

(m) Revenue Recognition

The Company recognizes revenue from mobile application in-application purchases in accordance with IAS 18, Revenue. Revenue is recognized only when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably, and the cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

(n) Future Changes to Accounting Standards

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements.

- IFRS 9, “Financial Instruments”
- IFRS 15, “Revenue from Contracts with Customers”

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company’s 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 consolidated financial statements.

4. ACQUISITION OF APPATURE TECHNOLOGIES INC.

On October 26, 2017, the Company completed the Transaction with ATI and owns approximately 90.56% of ATI. Upon closing of the Transaction, the former shareholders of ATI owned 93.3% of the combined entity, APPX. APPX’s board of directors and senior management were reconstituted and consist of the directors and senior management of ATI. Given the majority ownership of the common shares of the Company and the majority representation on the Company’s Board of Directors are held by the former shareholders of ATI, ATI has the power to govern the financial and operating policies so as to obtain benefits from the activities of the Company. The Transaction constitutes a reverse acquisition where ATI is considered the accounting acquirer of APPX.

Given the limited operations and inactive status of the Company at the date of the Transaction, the Company did not meet the definition of a business under IFRS 3, Business Combinations. The acquisition is therefore considered an issuance of shares by ATI for the net assets of the Company, accompanied by recapitalization, and therefore falls under the scope of IFRS 2, Share-based Payments. As a result of reverse acquisition accounting, these consolidated financial statements represent a continuation of ATI’s consolidated financial statements and the acquisition of the Company.

(Expressed in Canadian dollars)

4. ACQUISITION OF APPATURE TECHNOLOGIES INC. (CONTINUED)

The fair value of the 1,440,351 common shares of the Company that were deemed to have been issued and retained by the former shareholders of the Company was $24,936, which was determined based on the fair value of net assets and liabilities of the ATI on the date of the Transaction as follows:

	$
Cash	113,243
Amounts receivable	4,912
Intangible assets	464,642
Accounts payable and accrued liabilities	(222,222)
Loan payable	(15,000)
Net assets of ATI, at date of acquisition	345,575
Number of shares issued and outstanding of ATI, at date of acquisition	19,961,193
Per share value of ATI, at date of acquisition	0.0173
Number of ATI shares issued to former shareholders of APPX	1,440,351
Fair value of ATI shares issued to former shareholders of APPX	24,936

The fair value of all consideration given up to acquire APPX is as follows:

	$
Less fair value of identifiable assets and liabilities of APPX acquired:	
Accounts payable and accrued liabilities	13,963
Net liabilities acquired	13,963
Fair value of ATI shares issued to former shareholders of APPX	24,936
Restructuring cost	38,899

5. INTANGIBLE ASSETS

A continuity of the intangible assets is as follows:

	SweetrLife Application $	SWIIPE Application $	Pride Application $	Total $
Balance, December 31, 2015	380,000	152,000	–	532,000
Additions	9,266	–	50,000	59,266
Amortization	(72,690)	–	–	(72,690)
Write-down	(11,167)	–	–	(11,167)
Balance, December 31, 2016	305,409	152,000	50,000	507,409
Additions	49,645	25,780	–	75,425
Amortization	(140,466)	–	–	(140,466)
Balance, December 31, 2017	214,588	177,780	50,000	442,368

The SweetrLife application is a mobile application with a proprietary open person-to-person exchange that is ideally suited for personal social media and personal communication. The SWIIPE application is a mobile application that allows its users to discover venues in real time. The Pride application is a mobile application intended for the LGBT++ community and may be incorporated into the SweetrLife application as a brand expansion in the future.

5. INTANGIBLE ASSETS (CONTINUED)

As at December 31, 2017, intangible assets include application technologies still being developed with a carrying value of $227,780 (2016 – $202,000), which have not been placed in use. As a result, no amortization of these intangible assets has been recorded.

During the year ended December 31, 2016, management determined that indicators of impairment existed and carrying value of the intangible assets could not be supported. Accordingly, a write-down of intangible assets of $11,167 was recognized based on a financial projection of cash flows.

6. LOAN PAYABLE

As at December 31, 2017, the amount of $15,000 (2016 - $15,000) is owed to an unrelated party, which is unsecured, non-interest bearing, and due on demand.

7. SHARE CAPITAL

Authorized: unlimited number of common shares without par value

<u>Equity transactions after the reverse asset acquisition on October 26, 2017</u>:

(a) During the year ended December 31, 2017, the Company received proceeds of $64,045 for special warrants subscriptions. Refer to Note 13(c).

<u>Shares issued by Appature Technologies Inc. before the reverse asset acquisition on October 26, 2017</u>:

(b) On February 6, 2017, ATI entered into a share purchase agreement with a shareholder of the Company to repurchase 100,000 common shares of the Company for $5,000.

(c) On April 21, 2017, ATI issued 3,170,000 common shares at $0.10 per share for proceeds of $317,000 pursuant to a private placement. In connection with this private placement, the Company issued 257,000 common shares with a fair value of $25,700 as finder’s fees. Of the proceeds, $117,000 was held in trust by the Company’s lawyer, $180,000 is owing, and the Company had received $20,000. The receipt of the funds in trust and owing will be received upon the Company’s common shares being listed with a securities exchange.

(d) On May 3, 2017, ATI issued 1,425,000 common shares with a fair value of $142,500 to settle $142,500 of accounts payable, which included 1,350,000 common shares with a fair value of $135,000 to settle $135,000 of accounts payable owing to the Chief Executive Officer and the Chief Operating Officer of the Company.

(e) On October 26, 2017, ATI was deemed to have issued 1,440,351 common shares pursuant to the merger with APPX. Refer to Note 4.

<u>Share transactions during the year ended December 31, 2016</u>:

(f) On December 17, 2015, Appature AB was deemed to have issued 2,564,800 common shares with a fair value of $89,515 pursuant to the reverse asset acquisition of Appature. The common shares were issued on March 11, 2016.

(g) On August 15, 2016, ATI issued 1,000,000 common shares with a fair value of $50,000 in exchange for intellectual property and intellectual property rights. Refer to Note 8. The fair value of the common shares was determined based on the share price of the most recent private placement.

7. SHARE CAPITAL (CONTINUED)

(h) On December 12, 2016, ATI issued 1,520,000 common shares at $0.05 per share for gross proceeds of $76,000 pursuant to a private placement. In connection with this private placement, ATI paid share issuance costs of $3,424.

8. RELATED PARTY TRANSACTIONS

(a) During the year ended December 31, 2017, the Company incurred $60,000 (2016 – $60,000) in consulting and management fees provided by the Chief Executive Officer of the Company. As at December 31, 2017, the Company owed $51,296 (2016 - $52,500) to the Chief Executive Officer of the Company, which is included in accounts payable and accrued liabilities. The amount due is unsecured, non-interest bearing, and due on demand.

(b) During the year ended December 31, 2017, the Company incurred $37,500 in consulting and management fees (2016 – $60,000) provided by the Chief Operating Officer of the Company. As at December 31, 2017, the Company owed $11,903 (2016 - $52,118) to the Chief Operating Officer of the Company, which is included in accounts payable and accrued liabilities. The amount due is unsecured, non-interest bearing, and due on demand.

(c) During the year ended December 31, 2017, the Company incurred $45,000 in research and development costs capitalized as intangible assets (2016 – $2,500) provided by the Vice President of Technology of the Company. As at December 31, 2017, the Company owed $21,400 (2016 - $nil) to the Vice President of Technology of the Company, which is included in accounts payable and accrued liabilities. The amount due is unsecured, non-interest bearing, and due on demand

9. SEGMENTED REPORTING

The Company has one operating segment specializing in launching, acquiring, and vertically integrating technology companies, and all assets of the Company are located in Canada.

10. MANAGEMENT OF CAPITAL

The Company's objectives in managing capital are to ensure sufficient liquidity to finance its corporate administration and working capital. The Company manages its liquidity to minimize shareholder dilution whenever possible. The Company manages its capital through regular board meetings and ongoing review of consolidated financial information. The Company considers its capital as all components of shareholders' equity. The Company's primary objective with respect to its capital management is to ensure that is has sufficient cash resources to carry out its strategic business objectives to acquire and/or partner with leading personal-driven social media firms and complete an exchange listing application. In order to maximize ongoing development efforts, the Company does not pay out dividends.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing.

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at December 31, 2017, as follows:

	Fair value measurements using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2017 $
Cash and cash equivalents	101,867	–	–	101,867

The fair value of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and loan payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at December 31, 2017 and 2016, the Company's exposure to credit risk is the carrying value of cash and amounts receivable. The Company reduces its credit risk by holding its cash at a major Canadian financial institution. Amounts receivable mainly consists of GST receivable due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To secure the additional capital necessary to pursue these plans, the Company may have to raise additional funds through equity or debt financing.

As at December 31, 2017, the Company had cash and cash equivalents of $101,867 and accounts payable and accrued liabilities of $237,638. All accounts payable and accrued liabilities are due within 90 days.

(d) Foreign Exchange Rate Risk

The Company is not exposed to any significant foreign exchange rate risk.

(e) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

(Expressed in Canadian dollars)

12. INCOME TAXES

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2017 $	2016 $
Canadian statutory income tax rate	26%	26%
Income tax recovery at statutory rate	(106,531)	(65,259)
Tax effect of:		
Permanent differences and other	6,458	(939)
Provincial tax rate difference	–	1,543
Change in enacted tax rates	(3,432)	–
Change in unrecognized deferred income tax assets	103,505	64,655
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2017 $	2016 $
Deferred income tax assets (liabilities)		
Non-capital losses carried forward	262,961	196,706
Intangible assets	20,274	(17,144)
Share issuance costs	544	712
Total gross deferred income tax assets	283,779	180,274
Unrecognized deferred income tax assets	(283,779)	(180,274)
Net deferred income tax asset	–	–

As at December 31, 2017, the Company has non-capital losses carried forward of $992,307, which are available to offset future years' taxable income. These losses expire as follows:

	$
2033	497,347
2034	9,139
2035	72,876
2036	181,890
2037	231,055
	992,307

13. SUBSEQUENT EVENTS

(a) On January 10, 2018, the Company issued 900,391 common shares to settle accounts payable of $90,039.

(b) On January 12, 2018, the Company entered into an agreement with a consultant who is to provide investor relations services for a period of one year in exchange for $84,000 and the grant of 300,000 stock options upon the Company obtaining a CSE listing.

13. SUBSEQUENT EVENTS (CONTINUED)

(c) On February 27, 2018, the Company completed a non-brokered private placement of 7,511,000 special warrants in the capital of the Company at a price of $0.10 per special warrant for proceeds of $751,100, of which $64,045 was received as at December 31, 2017. The special warrants are exercisable by the holders thereof at any time after February 27, 2018 for no additional consideration and all unexercised special warrants will be deemed to be exercised without any further action on the part of the holder on the earlier of: (a) June 28, 2018, and (b) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities in each of the provinces of Canada where the special warrants are sold, qualifying the common shares to be issued upon the exercise or deemed exercise of the special warrants. In connection with this private placement of special warrants, the Company issued 463,820 common shares and 200,000 warrants with each warrant entitling the holder to purchase one additional common share exercisable at $0.25 per share until February 28, 2019.

(d) On February 27, 2018, the Company issued 616,612 common shares to settle debt of $61,661.

(e) On March 2, 2018, the Company completed a share exchange agreement with RewardDrop Software Inc. ("RSI"). Pursuant to the agreement, the Company issued 50,000,000 common shares of the Company in exchange for all of the issued and outstanding securities of RSI. The Company also issued 2,825,000 common shares as a finder's fee.

(f) On March 13, 2018, the Company issued 100,000 common shares pursuant to an agency agreement.

(g) On March 14, 2018, the Company closed a brokered private placement of 19,300,000 special warrants at a price of $0.10 per special warrant for gross proceeds of $1,930,000. Each special warrant is exercisable by the holder to receive one common share of the Company for no additional consideration, and all unexercised special warrants will be deemed to be exercised without any further action on the earlier of: (a) July 14, 2018, and (b) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities in each province where the special warrants were sold, qualifying the common shares to be issued upon the exercise of the special warrants.

Pursuant to an agency agreement entered into between the Company and the Agent, an aggregate of 1,351,000 agent's warrants were issued to the Agent, representing 7% of the special warrants sold. An additional 500,000 advisory warrants were issued to the Agent in consideration of advisory services rendered under the agreement. Each warrant issued to the Agent is exercisable at a price of $0.10 per share for a period of two years. In addition, the Company paid the Agent a cash commission representing 7% of the gross proceeds of the private placement.

(i) On April 5, 2018, the Company entered into a premises lease agreement which is for a five year term beginning on July 1, 2018. Basic annual rent is $23,394 for year one, $26,349 for year two, $29,550 for year three, $32,505 for year four, and $35,706 for year five.