DISCOURSE MEDIA INC.

Financial Statements

December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To The Shareholders of Discourse Media Inc.

We have audited the accompanying financial statements of Discourse Media Inc., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the year ended December 31, 2017 and the 345-day period ended December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit 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 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 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 financial statements.

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

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Discourse Media Inc. as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the year ended December 31, 2017 and the 345-day period ended December 31, 2016 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements, which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Rise

CHARTERED PROFESSIONAL ACCOUNTANTS

Coquitlam, B.C.
December 14, 2018

DISCOURSE MEDIA INC.

STATEMENT 1

STATEMENT OF COMPREHENSIVE LOSS

For The Year Ended December 31, 2017 and 345-day Period Ended December 31, 2016

	2017	345-day period ended 2016
Revenue	$ 770,921	$ 551,917
Cost of goods sold - note 10	623,752	495,043
Gross profit	147,169	56,874
General and administrative expenses		
Advertising and promotion	33,085	106
Amortization	18,539	8,044
Bank charges and interest	4,165	1,448
Insurance	5,028	3,196
Meals and entertainment	10,046	4,361
Office	21,880	24,122
Professional fees	70,366	17,198
Rent	39,879	22,683
Wages and benefits	261,680	60,386
	464,668	141,544
Comprehensive loss	(317,499)	(84,670)
Basic and diluted loss per share	$ (0.077)	$ (0.021)
Weighted average number of common shares outstanding - basic and diluted	4,000,000	4,000,000

DISCOURSE MEDIA INC.

STATEMENT 2

STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

For The Year Ended December 31, 2017 and 2016

	Share Capital				
	Number	**Amount**	**Obligation to Issue Shares**	**Deficit**	**Total**
Balance at January 20, 2016	**4,000,000**	**$ 1**	**-**	**$ -**	**$ 1**
Comprehensive loss for the period	-	-	-	(84,670)	(84,670)
Balance at December 31, 2016	**4,000,000**	**1**	**-**	**(84,670)**	**(84,669)**
Subscriptions received	-	-	50,000	-	50,000
Comprehensive loss for the year	-	-	-	(317,499)	(317,499)
Balance at December 31, 2017	**4,000,000**	**$ 1**	**50,000**	**$ (402,169)**	**$ (352,168)**

DISCOURSE MEDIA INC.

STATEMENT 3

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2017 and 345-day Period Ended December 31, 2016

	2017	345-day period ended 2016
Cash flows from (for) operating activities:		
Comprehensive loss for the period	$ (317,499)	$ (84,670)
Items not requiring an outlay of funds		
Amortization	18,539	8,044
	(298,960)	(76,626)
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	19,846	(44,910)
Increase in prepaid expenses and deposits	(20,713)	-
Increase in accounts payable and accrued liabilities	23,735	16,298
Increase (decrease) in deferred revenue	(107,455)	113,407
Increase (decrease) in government agencies payable	(4,235)	11,502
	(387,782)	19,671
Cash flows from (for) financing activities:		
Proceeds from operating line of credit	71,465	-
Proceeds from issuance of convertible debt	250,000	-
Proceeds for share subscriptions	50,000	-
Advances from shareholder	-	71,678
	371,465	71,678
Cash flows from (for) investing activities:		
Purchase of intangible assets	(92,694)	(40,220)
Increase (decrease) in cash	(109,011)	51,129
Cash, beginning of period	51,129	-
Cash (bank indebtedness), end of period	**$ (57,882)**	**$ 51,129**

DISCOURSE MEDIA INC.

STATEMENT 4

STATEMENT OF FINANCIAL POSITION

December 31, 2017 and 2016

		2017		2016
ASSETS				
Current:				
Cash	$	-	$	51,129
Accounts receivable		25,064		44,910
Prepaid expenses		10,357		-
		35,421		96,039
Intangible assets - note 4		106,331		32,176
Deposits		10,357		-
	$	**152,109**	**$**	**128,215**
LIABILITIES AND SHAREHOLDER'S DEFICIENCY				
Current:				
Bank indebtedness	$	57,882	$	-
Operating line of credit - note 5		71,465		-
Accounts payable and accrued liabilities		40,033		16,297
Deferred revenue		5,952		113,407
Government agencies payable		7,267		11,502
Due to shareholder - note 6		71,678		71,678
		254,277		212,884
Convertible debt - note 7		250,000		-
		504,277		212,884
Shareholder's deficiency				
Share capital - note 8		1		1
Obligation to issue shares - note 8		50,000		-
Deficit		(402,169)		(84,670)
		(352,168)		(84,669)
	$	**152,109**	**$**	**128,215**

Going concern - note 1

Commitments - note 11

Subsequent events - note 13

On behalf of the Board

________________________ Director ________________________ Date

STATUTES OF INCORPORATION AND NATURE OF BUSINESS

Discourse Media Inc. [the "Company"] was incorporated under the laws of the Province of British Columbia on January 20, 2016. Its main business activity is to write and sell journalism articles about complex issues across Canada.

The principal business office of the Company is located at Suite 308, 877 East Hastings Street, Vancouver British Columbia, Canada, V6A 3Y1.

1. GOING CONCERN

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Given that the Company has incurred operating losses since inception, there is significant doubt as to whether the Company is a going concern. As at December 31, 2017, the Company had an accumulated deficit of $402,169 (2016 - $84,670). Management plans to continue to leverage its operating line of credit while raising new capital until such a time that the Company's operational cash flows are self-sustaining. While the Company is using its best efforts to achieve positive operational cash flows, there is no guarantee that such best efforts will generate sufficient funds for operations in order to pay debtors as they come due.

No adjustments to the carrying value of the assets and liabilities have been made in these financial statements. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These financial statements are the Company's first IFRS annual financial statements. Previously, the Company prepared its financial statements in accordance with Canadian accounting standards for private enterprises ("ASPE"). IFRS 1 *First-Time Adoption of International Financial Reporting Standards* has been applied.

The financial statements of Discourse Media Inc. for the year ended December 31, 2017 was approved and authorized for issue by the Directors on December 7, 2018.

Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which that Company operates. The financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Intangible Assets

Intangible assets consist of website development costs and are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized over their estimated useful life of five years. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. A change in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimate.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable net of any discounts, if applicable.

Revenue from the rendering of services is recognized when the amount of revenue can be measured reliably, the receipt of economic benefit is probable, and the stage of completion of the transaction and the costs incurred can be measured reliably.

Amounts received relating to services to be performed in future periods and sale of goods that require future performance are recorded as deferred revenue on the statement of financial position.

Use of Estimates and Judgments

The preparation of these financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but are not limited to, useful lives of intangible assets, impairments, accruals, convertible debts and taxes. Although these estimates, assumptions and judgments are based upon management's best knowledge of the amount, event or actions, actual results could differ from those estimates, assumptions and judgments.

Financial Instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”), available-for-sale (“AFS”), and loans and receivables. Management determines the classification of assets at recognition. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Fair value through profit or loss financial assets

Financial assets are classified as FVTPL when the financial asset is held-for-trading or is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future, it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or, if it is a derivative that is not designated and effective, as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

Currently, the Company classifies its cash as FVTPL.

Held-to-maturity financial assets

HTM financial assets are non-derivative financial assets measured at amortized cost that management has the intention and ability to hold to maturity.

Currently, the Company has no HTM financial instruments.

Available-for-sale financial assets

AFS financial assets are non-derivative financial assets that are either designated as AFS or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

Currently, the Company has no AFS financial instruments.

Loans and receivables financial assets

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

Currently, the Company classifies its accounts receivable as loans and receivables.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition

(ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and financial liabilities at FVTPL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date.

The Company has classified bank indebtedness, accounts payable and accrued liabilities, operating line of credit, convertible debt and due to shareholder as other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date with changes in fair value recognized in operations. Transaction costs are recognized in operations as incurred.

(iii) Fair value hierarchy

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

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

(iv) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Transaction costs

The Company recognizes its transaction costs in the comprehensive loss in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Convertible debt

The Company evaluates the terms of its financial instruments to determine whether it contains both a liability and an equity component. The Company recognizes separately the components of a financial instrument that create a financial liability and grants an option to the holder of the instrument to convert it into equity of the Company. On initial recognition, the instrument's fair value is allocated between the liability and the equity components using the residual method. The fair value of any derivative feature embedded in the compound financial instrument (other than the equity component, such as an equity conversion feature) is presented as a liability instrument.

Risk Management

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. The Company is exposed to credit risk from their customers. The Company perform credit risk evaluations on its customers and consider their risk to be acceptable and appropriately managed.

Interest Rate Risk

The Company has an exposure to interest rate fluctuations on its commercial floating rate loans. Such interest rate fluctuations will continually affect the Company's income. The Company considers its exposure to interest rate volatility to be acceptable and appropriately managed.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities as they become due. The Company is exposed to liquidity risk in meeting its obligations associated with financial liabilities, which is dependent on receipt of funds from operations and shareholder loans where needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Income Taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered for current and prior periods under the tax rates and laws that have been enacted or substantively enacted as at the date of the statement of financial position.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the carrying amounts in the financial statements and the tax bases of assets and liabilities. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable income or loss. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates, as at the date of the statement of financial position, in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is probable of being realized. In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Tax expense or recovery is recognized in other comprehensive income or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are presented as non-current.

Related Party Transactions

A monetary related party transaction, or a non-monetary related party transaction that has commercial substance, is measured at the exchange amount when it is in the normal course of operations. The exchange amount is the amount of consideration paid or received as established and agreed to by the related parties. A non-monetary related party transaction has commercial substance when the entity's future cash flows are expected to change significantly as a result of the transaction. Other related party transactions are measured at the carrying amount which is the amount of an item transferred, or cost of services provided, as recorded in the accounts of the transferor, after adjustment, if any, for amortization or impairment in value.

Impairment of Long-Lived Assets

Long-lived assets are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. When events or circumstances indicate that the carrying value of a long-lived asset (or group of assets) may not be recoverable, the long-lived asset (or group of assets) is tested for impairment by comparing the estimated future cash flows from this asset (or group of assets) to the carrying amount. If the carrying amount is not recoverable from the estimated future cash flows, any loss is measured as the amount by which the carrying value of the asset (or group of assets) exceeds the fair value and is recorded in the year. Recoverability is assessed relative to un-discounted cash flows from the direct use and disposition of the asset (or group of assets).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Earnings (loss) Per Share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. 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.

Accounting standard issued but not yet effective

The Company has not early adopted the following new standards and the impacts on the financial statements have not been determined.

IFRS 9 - Financial Instruments

The standard was issued in July 2014 and addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 – Financial Instruments– Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. The new standard also addresses financial liabilities and they largely carry forward existing requirements in IAS 39, except that fair value changes to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. In addition, the new standard introduces a new hedge accounting model more closely aligned with risk management activities undertaken by entities. The standard is required to be applied for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company has chosen not to early adopt.

IFRS 15 – Revenue from Contracts with Customers

The standard was issued in May 2014 and is a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. The standard replaces IAS 11 - Construction Contracts and IAS 18 - Revenue, as well as various IFRIC and SIC interpretations regarding revenue. The standard is required to be applied for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company has chosen not to early adopt.

IFRS 16 – Leases

The standard was issued in January 2016 and replaces IAS 17 – Leases. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases. In particular, lessees will be required to report most leases on the statement of financial position by recognizing right-of-use assets and related financial liabilities. Lessor accounting remains largely unchanged. The standard is required to be applied for annual periods beginning on or after January 1, 2019, with earlier adoption permitted for entities that would also adopt IFRS 15 – Revenue from Contracts with Customers. The Company has chosen not to early adopt.

3. CAPITAL MANAGEMENT

The Company's capital presently comprises common shares, subscriptions received and deficit.

The Company's business requires capital and revenues for funding current and future operations. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to meet its strategic goals.

There are no externally imposed capital requirements. The Company manages the capital structure and makes adjustments to it depending on economic conditions and the rate of anticipated expenditures. To maintain or adjust the capital structure, the Company may attempt to issue new shares or debt. The Company will need to issue new shares or debt to satisfy its current liabilities and to fund future operating activities. There were no changes in the Company's approach to capital management during the year.

4. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Website development costs	$ 132,913	$ 26,582	$ 106,331	$ 32,176

5. OPERATING LINE OF CREDIT

The Company has a demand line of credit with a chartered bank to a maximum of $75,000 bearing interest at prime plus 1%. As at December 31, 2017, the Company has drawn $71,465 (2016 - $NIL) against the line of credit. The credit facility is secured by the collateral mortgage on a personal property owned by the principal shareholder and by the personal guarantee of the principal shareholder's husband.

6. DUE TO SHAREHOLDERS

The Company has advances payable to its principal shareholder. The advances carry no specific provision for interest or repayment, accordingly, the amount is classified as current. However, subsequent to the year end, the shareholder has stated that they will not request repayments within the next fiscal year.

7. CONVERTIBLE DEBT

During the year, the Company raised $250,000 (2016 - $Nil) through issuance of convertible debentures. The convertible debentures bear interest at 5% per annum and are convertible into common shares of the Company at a price of $0.87 per share. Interest is accrued monthly.

Upon issuance of the convertible debt, the Company allocated the total proceeds received between the liability and equity components of the convertible debenture using the residual method, based on a discount rate of 10%, which is the estimated cost at which the Company could borrow similar debt without a conversion feature. The liability component was determined to have a fair value of $250,000, and is measured at its amortized cost. Interest is accrued over the expected term to maturity using the effective interest method. Due to the short term maturity of the instrument issued, the equity component was determined to be nil.

8. SHARE CAPITAL

Authorized:
Unlimited number of common voting shares without par value
Unlimited number of preferred shares, cumulative, issuable in series

	2017	**2016**
Issued and fully paid:		
4,000,000 Class A Common Shares	**$ 1**	**$ 1**

On October 12, 2017, the Company approved a conversion of its issued share capital on a 40,000 for 1 basis. The conversion took effect on October 12, 2017. After the conversion, the Company had 4,000,000 Class A Common shares outstanding. All current and comparative references to the number of shares and loss per share have been restated to give effect to the 40,000 for 1 conversion.

During the year, the Company received $50,000 from a related party for the purchase of 50,000 Class A common shares. As the shares were not issued until January 16, 2018, subsequent to the year end, the proceeds have been disclosed under obligation to issue shares.

9. INCOME TAXES

As at December 31, 2017, the Company has non-capital losses of approximately $370,600 available that may be carried forward and applied against future income for Canadian tax purposes. The non-capital losses expire as follows:

2036	$	76,452
2037		294,235
	$	370,687

Management continually evaluates the likelihood that its deferred tax assets could be realized. The Company recognizes tax benefits on losses or other deductible amounts generated where it is probable that sufficient taxable income will exist in the future to utilize deferred tax assets.

The following are the deductible temporary differences for which no deferred tax assets are recognized in the financial statements:

		2017		**2016**
Intangible assets	$	14,521	$	-
Non-capital losses		370,687		72,434
	$	385,208	$	72,434

Income tax expense differs from the amount that would be computed by applying the combined corporate income tax rate of 13.0% (2016 - 13.0%) to loss before income taxes. The reasons for the differences are as follows.

		2017		**2016**
Income (loss) before tax	$	(317,797)	$	(84,670)
Statutory tax rate		13%		13%
Expected income tax benefit		(41,314)		(11,007)
Items not deductible for tax purposes		653		283
Change in timing differences		185		805
Effect of change in future tax rates		3,667		1,226
Unused tax losses and tax offsets not recognized		36,809		8,693
Total income tax	$	-	$	-

10. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and also comprise the directors of the Company.

The remuneration of key management personnel during the years ended December 31, 2017 and 2016 were as follows:

		2017		2016
Wages and benefits	$	237,000	$	309,800
Total compensation	**$**	**237,000**	**$**	**309,800**

Included in cost of goods sold are wages and benefits made to directors and officers of the Company.

11. COMMITMENTS

The Company has entered into a lease agreement for its premise expiring on February 28, 2023. The monthly lease rate is $6,734 in the first two years of the term, increasing to $6,911 in the next two years and then increasing to $7,088 for the remainder of the lease term. The lease contains a sub-let option, which the Company may exercise in such an event that it underutilizes the entire premise. The minimum annual payments are as follows:

2018	$	67,339
2019		80,807
2020		82,579
2021		82,934
2022		84,706
Thereafter		14,176

12. SEGMENTED INFORMATION

The Company has one reportable operating segment, which is in Canada. All of the Company's assets are located in Canada.

13. SUBSEQUENT EVENTS

On January 16, 2018, the Company issued 210,749 shares with a value of $210,749 for gross proceeds of $210,749.

On March 1 and May 29, 2018, the Company entered into two convertible debentures ("the Notes") for $55,000 and $25,150, respectively, with interest at 5% per annum, due 4 years after issuance, provided in-kind in the form of third-party services. Interest is accrued monthly. The Notes are governed and evidenced by a fully executed Convertible Promissory Demand Note.

On March 30, 2018, the Company entered into a loan agreement for gross proceeds of $200,000. The loan is non interest bearing and matures on March 30, 2023.

On May 15, 2018, the Company granted 458,180 stock options to various employees of the Company. These stock options vest at various dates, have an exercise price of $1.00 per share and expire on May 15, 2023. On June 23, 2018, the Company granted an additional 3,793 stock options to an employee of the Company. The additional stock options vest on September 14, 2018, have an exercise price of $1.00 per share and expire on June 26, 2023.

On June 19, 2018, the Company entered into a promissory note payable with a related party in the amount of $200,000. The promissory note bears interest at 5% per annum and accrued monthly, is unsecured and has no specified terms of repayment.

14. TRANSITION TO IFRS

An explanation of how the transition from previous ASPE to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IFRS 1 generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle.

The adoption of IFRS did not result in any changes to the Company's statement of comprehensive loss, the statements of changes in shareholders' deficiency nor in the actual cash flows of the Company for the period ended December 31, 2016.