

# **Hilltop Cybersecurity Inc.**

**(formerly Big Wind Capital Inc.)**

***CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS***

**FOR THE NINE MONTHS ENDED  
MARCH 31, 2018**

**Hilltop Cybersecurity Inc.**  
**(formerly Big Wind Capital Inc.)**  
Condensed Interim Consolidated Statements of Financial Position  
Expressed in Canadian Dollars

	Note	March 31, 2018	June 30, 2017
		\$	\$
<b>Assets</b>			
Current assets:			
Cash		563,463	138,026
Sales tax receivable		41,701	9,424
Advances	5	1,915,210	-
		<b>2,520,374</b>	147,450
Investment	5	770,075	-
Exploration and evaluation assets	6	-	-
<b>Total Assets</b>		<b>3,290,449</b>	147,450
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	8	296,349	231,418
Promissory note payable	8	-	-
		<b>296,349</b>	231,418
<b>Shareholders' Equity (Deficiency)</b>			
Share capital	7	8,871,765	3,519,955
Reserves		509,771	208,951
Deficit		(6,387,436)	(3,812,874)
		<b>2,994,100</b>	(83,968)
<b>Total Liabilities and Shareholders' Equity (Deficiency)</b>		<b>3,290,449</b>	147,450

Nature of Operations and Going Concern (Note 1)  
Commitments and Contingencies (Note 8)  
Subsequent Events (Note 11)

Approved on Behalf of the Board of Directors:

*/s/ Corby Marshall*

Director

*/s/ William Marsh*

Director

*The accompanying notes are integral to these interim consolidated financial statements.*

**Hilltop Cybersecurity Inc.**  
**(formerly Big Wind Capital Inc.)**

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

Expressed in Canadian dollars

		For the three months ended		For the nine months ended	
		March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
		\$	\$		
<b>General and administrative expenses</b>					
Consulting and management fees	8	663,000	37,500	1,821,794	112,500
Office and administration	8	79,259	222	139,328	686
Professional fees		21,853	9,076	74,188	20,196
Public relations and communications		26,535	1,246	168,206	5,888
Regulatory and transfer agent		25,695	1,575	75,426	11,004
Rent	8		1,734	-	1,800
<b>Loss before other items</b>		<b>(816,342)</b>	<b>(51,953)</b>	<b>(2,278,942)</b>	<b>(152,074)</b>
<b>Other items – income (expense)</b>					
Share-based payments	7	(233,080)	-	(300,820)	-
Exploration and evaluation write-down		-	(185,445)	-	(197,945)
Foreign exchange gain on promissory note payable	8	-	-	5,200	-
		-	(185,445)	(295,620)	(197,945)
<b>Net loss and comprehensive loss for the year</b>		<b>(1,046,232)</b>	<b>(237,398)</b>	<b>(2,574,562)</b>	<b>(350,019)</b>
<b>Basic and diluted loss per common share</b>		<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.06)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding</b>		<b>50,017,246</b>	<b>30,439,727</b>	<b>39,102,143</b>	<b>30,439,727</b>

*The accompanying notes are integral to these interim consolidated financial statements.*

**Hilltop Cybersecurity Inc.**  
**(formerly Big Wind Capital Inc.)**

Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)

Expressed in Canadian Dollars

	<u>Share Capital</u>			Reserves	Deficit	Total Shareholders' Equity (Deficiency)
	Number of Shares	Amount				
		\$	\$	\$	\$	\$
Balance, June 30, 2016	26,639,727	3,329,955	208,951	(3,320,477)		218,429
Private placement	3,800,000	190,000	-	-		190,000
Net loss for the period	-	-	-	(350,019)		(350,019)
Balance, March 31, 2017	30,439,727	3,519,955	208,951	(3,670,496)		58,410
<b>Balance, June 30, 2017</b>	<b>30,439,727</b>	<b>3,519,955</b>	<b>208,951</b>	<b>(3,812,874)</b>		<b>(83,968)</b>
Private placement proceeds	21,476,188	5,100,000	-	-		5,100,000
Share issuance costs	-	(32,190)	-	-		(32,190)
Shares issued from warrant exercise	3,800,000	266,000	-	-		266,000
Shares issued from option exercise	40,000	18,000	-	-		18,000
Share-based payments	-	-	300,820	-		300,820
Net loss for the period	-	-	-	(2,574,562)		(2,574,562)
<b>Balance, March 31, 2018</b>	<b>55,755,915</b>	<b>8,871,765</b>	<b>509,771</b>	<b>(6,387,436)</b>		<b>2,994,100</b>

*The accompanying notes are integral to these interim consolidated financial statements.*

**Hilltop Cybersecurity Inc.**  
**(formerly Big Wind Capital Inc.)**  
Condensed Interim Consolidated Statements of Cash Flows  
For the Nine Months Ended March 31, 2018 and 2017  
Expressed in Canadian Dollars

	<b>For the nine months ended</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
	\$	\$
<b>Cash (used in) provided by:</b>		
<b>Operating activities</b>		
Net loss for the period	(2,574,562)	(350,019)
<i>Non-cash items:</i>		
Share-based payments	300,820	-
Foreign exchange gain on promissory note payable	-	-
Exploration and evaluation write-down	-	197,945
<b>Changes in non-cash working capital:</b>		
(Increase) decrease in sales tax receivable	(32,277)	(184)
(Increase) decrease in prepaid and advances	-	125
Increase (decrease) in accounts payable and accrued liabilities	64,931	121,281
<b>Net cash used by operating activities</b>	<b>(2,241,088)</b>	<b>(30,852)</b>
<b>Investing activities</b>		
Investment in Hilltop Security, Inc.	(770,075)	-
Advances to Hilltop Security, Inc.	(1,915,210)	-
<b>Net cash used in investing activities</b>	<b>(2,685,285)</b>	<b>-</b>
<b>Financing activities</b>		
Private placement proceeds	5,100,000	190,000
Proceeds from warrant and option exercises	284,000	-
Share issuance costs	(32,190)	-
<b>Net cash from financing activities</b>	<b>5,351,810</b>	<b>165,000</b>
<b>Increase (decrease) in cash</b>	<b>425,437</b>	<b>134,148</b>
Cash, beginning of period	138,026	19,437
<b>Cash, end of period</b>	<b>563,463</b>	<b>153,585</b>

*The accompanying notes are integral to these interim consolidated financial statements.*

**Hilltop Cybersecurity Inc.**  
**(formerly Big Wind Capital Inc.)**

Notes to Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended March 31, 2018  
(Expressed in Canadian Dollars)

CSE: **CYBX**

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Hilltop Cybersecurity Inc. (the “Company” or “BWC”), formerly Big Wind Capital Inc., is a company incorporated on June 30, 2005 under the Business Corporation Act of British Columbia, Canada. The registered office of the Company is 700-595 Howe Street, Vancouver, British Columbia, V6C 2T5. The records office of the Company is 700-1620 Dickson Ave., Kelowna, British Columbia, V1Y 9Y2, and the principle office of operations of its primary investment, Hilltop Security, Inc. is 100 Bull Street, Suite 209, Savannah, GA 31401 U.S.A. The Company’s shares are publicly listed on the Canadian Securities Exchange (“CSE”) under the symbol “CYBX”. The Company changed its name to Hilltop Security Inc. on February 19, 2018.

The Company was formerly a natural resource company formerly engaged in the acquisition and exploration of resource properties in North America. On December 19, 2017, the Company entered into a definitive agreement (the “Agreement”) with Hilltop Security, Inc. (“HTSI”) (see Note 9). On February 14, 2018, the Company acquired 25% of HTSI which constituted a fundamental change of the Company within the policies of the CSE. The Company is a technology company engaged primarily in the development of cyber security and cryptocurrency software.

These interim consolidated financial statements have been prepared by management on a going concern basis with the assumption that the Company will continue for the foreseeable future and will be able to meet its obligations to continue operations. Management has carried out an assessment of the going concern assumption and concludes that the continued operations of the Company are dependent upon equity financing and/or joint venturing project development as primary sources of funding. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The realized values of net assets may be significantly different from carrying values shown and these consolidated financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

The Company had a \$2,574,562 net loss for the nine months ended March 31, 2018 (March 31, 2017 - \$350,019). The accumulated deficit recorded as at March 31, 2018 is \$6,387,436 (June 30, 2017 - \$3,812,874). As at March 31, 2018, the Company had working capital of \$2,224,025 (June 30, 2017 - \$83,968 deficiency).

**2. BASIS OF PRESENTATION**

**Statement of compliance with International Financial Reporting Standards**

The Company applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of May 24, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2017, except as noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending June 30, 2018 could result in restatement of these unaudited condensed consolidated interim financial statements.

These financial statements were authorized for issue by the Board of Directors on May 24, 2018.

**Hilltop Cybersecurity Inc.****(formerly Big Wind Capital Inc.)**

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended March 31, 2018

(Expressed in Canadian Dollars)

CSE: **CYBX**

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**2. BASIS OF PRESENTATION (Continued)**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods. See Note 4 for critical accounting estimates and judgments made by management in the application of IFRS.

**3. NEW ACCOUNTING PRONOUNCEMENTS****IFRS Standards, Amendments and Interpretations**Accounting standards issued but not yet effective

Effective for annual periods beginning on or after January 1, 2018:

- IFRS 9, Financial Instruments;
- IFRS 15, Revenue From Contracts with Customers; and
- IFRS 16, Leases.

The Company has not early adopted these new standards and does not expect the impact of these standards on the Company's consolidated financial statements to be material.

**4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- i) The determination that the Company will continue as a going concern for the next year.

**Hilltop Cybersecurity Inc.**  
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Notes to Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended March 31, 2018  
(Expressed in Canadian Dollars)

CSE: **CYBX**

**5. INVESTMENT IN HILLTOP SECURITY, INC.**

On December 19, 2017, the Company entered into an Agreement with HTSI. Pursuant to the Agreement:

- The Company will acquire 49% of the issued and outstanding common shares of HTSI and certain of HTSI's assets (as defined) in two sequential closings. The selling shareholders will retain 51% of the post-issuance outstanding common shares of HTSI.
- On February 14, 2018, the Company acquired 25% of HTSI from a founder of HTSI by making aggregate cash payments of USD \$660,000 for the shares and the cancellation of a promissory which constituted a fundamental change of the Company within the meaning of the policies of the CSE.
- At the second closing, the Company will acquire an additional 24% interest of HTSI. The Company will pay HTSI USD \$1,500,000 (paid) and the Company will issue shares to the selling shareholders equal to an aggregate post-issuance interest of 45% of the Company. The second closing, and completion of the reverse takeover transaction is expected to complete in the latter half of May 2018.
- The Company will grant HTSI a perpetual, worldwide, royalty-free license in the assets and all inventions and improvements derived from the assets.

On February 26, 2018, the CSE granted final approval of the listing application in connection with the Agreement with HTSI.

**6. EXPLORATION AND EVALUATION ASSETS**

As at June 30, 2017, the Company had \$Nil exploration and evaluation assets.

	<b>TAXCO</b>	<b>LA RONGE</b>	<b>TOTAL</b>
	\$	\$	\$
<b>BALANCE, JUNE 30, 2015</b>	<b>12,500</b>	-	<b>12,500</b>
ACQUISITION	-	<b>285,000</b>	<b>285,000</b>
<b>BALANCE, JUNE 30, 2016</b>	<b>12,500</b>	<b>285,000</b>	<b>297,500</b>
ACQUISITION	-	-	-
IMPAIRMENT	<b>(12,500)</b>	<b>(285,000)</b>	<b>(297,500)</b>
<b>BALANCE, JUNE 30, 2017</b>	-	-	-

**La Ronge Gold Belt, Saskatchewan, Canada**

In June 2016, the Company entered into a claim purchase agreement to acquire a 100% interest in 39 mineral claims in the La Ronge Gold Belt and the Flin Flon Greenstone Belt region of northern Saskatchewan. The Company accrued a \$35,000 payment and issued 5,000,000 common shares at a value of \$0.05 per share to Mr. Ross McElroy.

During the year ended June 30, 2017, the Company decided not to pursue this project. A loss on the write-down of this exploration and evaluation asset was recorded in the amount of \$285,000.



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**(formerly Big Wind Capital Inc.)**

Notes to Condensed Interim Consolidated Financial Statements  
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CSE: **CYBX**

**6. EXPLORATION AND EVALUATION ASSETS (continued)**

**Taxco Property, British Columbia, Canada**

During the year ended June 30, 2014, the Company entered into an option agreement to acquire the Taxco property from 1002679 B.C. Ltd.

During the year ended June 30, 2017, the Company relinquished all rights to the Taxco property. In agreement with 1002679 B.C. Ltd., no further cash payments or share issuances are required, and no liability will be incurred going forward. A loss on the write-down of this exploration and evaluation asset was recorded in the amount of \$12,500.

**7. SHARE CAPITAL**

a) Authorized:

Unlimited voting common shares without par value

Unlimited non-voting preferred shares with a par value of \$1 each (none issued)

b) Issued and Outstanding - Common Shares:

*For the nine months ended March 31, 2018*

During the period ended March 31, 2018, the Company issued 3,840,000 shares from related share warrant and option exercises for gross cash proceeds of \$284,000.

On November 5, 2017, the Company closed the first tranche of its July 4, 2017, previously announced private placement issuing 3,355,000 shares at \$0.15 per share for gross proceeds of \$503,250.

On November 24, 2017, the Company closed the second tranche of its July 4, 2017, previously announced private placement issuing 3,290,247 shares at \$0.15 per share for gross proceeds of \$493,537.

On November 30, 2017, the Company closed the first tranche of its July 4, 2017, previously announced private placement issuing 4,377,299 Units at \$0.35 per share for gross proceeds of \$1,532,055. Each Unit comprises one common share and one share purchase warrant exercisable for two years at \$0.40 per share.

On February 13, 2018, the Company closed 6,688,086 common shares at a price of \$0.15 per common share for gross proceeds of \$1,003,213.

On February 13, 2018, the Company closed 2,765,556 \$0.35 units for gross proceeds of \$967,945. Each Unit comprises one common share and one share purchase warrant exercisable for two years at \$0.40 per share.

On February 13, 2018, the Company closed 1,000,000 units at a price of \$0.60 per unit (“\$0.60 Units”). Each \$0.60 unit comprises one common share and one common share purchase warrant, with each \$0.60 Unit Warrant entitling the holder thereof to acquire a common share at an exercise price of \$0.70 per Common Share for a period of 18 months from the issuance thereof, for gross proceeds of \$600,000.

*For the year ended June 30, 2017*

**Hilltop Cybersecurity Inc.****(formerly Big Wind Capital Inc.)**

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended March 31, 2018

(Expressed in Canadian Dollars)

CSE: **CYBX****7. SHARE CAPITAL (continued)**

On March 20, 2017, the Company completed a non-brokered private placement of 3,800,000 units (“Units”) at a price of \$0.05 per Unit for aggregate gross proceeds of \$190,000. Each Unit was comprised of one common share (“Share”) and one Share purchase warrant of the Company (“Warrant”). Each Warrant entitles the holder to purchase one Share at an exercise price of \$0.07 per Share for a period of 12 months.

## c) Share Purchase Warrants

	Number of Options	Weighted Average Exercise Price
	\$	\$
<b>Options outstanding, June 30, 2016</b>	-	-
Granted	3,800,000	0.07
<b>Options outstanding, June 30, 2017</b>	-	-
Granted	8,142,855	0.44
Exercised	(3,800,000)	0.07
<b>Options outstanding, March 31, 2018</b>	<b>8,142,855</b>	<b>0.44</b>

As at March 31, 2018, the Company had warrants outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Exercisable	Weighted Average
				Remaining Contractual Life (Years)
November 30, 2019	\$0.40	4,377,299	4,377,299	0.90
February 13, 2020	\$0.40	2,765,556	2,765,556	0.64
August 13, 2019	\$0.70	1,000,000	1,000,000	0.17

**Hilltop Cybersecurity Inc.****(formerly Big Wind Capital Inc.)**

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended March 31, 2018

(Expressed in Canadian Dollars)

CSE: **CYBX****7. SHARE CAPITAL (continued)**

## d) Stock Options

The Company has a stock option plan that provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual.

The exercise price of stock options is determined by the board of directors of the Company at the time of grant and may not be less than the closing market price of the Company's shares on the day immediately prior to the award date, less any discount which may be permitted by the exchange on which the Company is listed. Options have a maximum term of five years. Upon exercise of any stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

	Number of Options	Weighted Average Exercise Price
	\$	\$
<b>Options outstanding, June 30, 2016</b>	-	-
Granted	-	-
<b>Options outstanding, June 30, 2017</b>	-	-
Granted	5,491,590	0.56
Exercised	(40,000)	0.45
<b>Options outstanding, March 31, 2018</b>	<b>5,451,590</b>	<b>0.56</b>

As at March 31, 2018, the Company had options outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Exercisable	Weighted Average Remaining Contractual Life (Years)
July 17, 2019	\$0.45	2,960,000	1,200,000	0.70
February 26, 2020	\$0.70	2,490,590	249,159	0.87

On February 26, 2018, the Company granted 2,491,590 stock options to various officers, directors and consultants. The options are exercisable at \$0.70 per share and expire on February 26, 2020, and follow a vesting schedule whereby 10% of the options vest immediately and the remaining options vest in equal portions on the dates that are three, six, nine, twelve, fifteen and eighteen months after grant date. The weighted average fair value of \$0.70 per

## Hilltop Cybersecurity Inc.

(formerly Big Wind Capital Inc.)

Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended March 31, 2018

(Expressed in Canadian Dollars)

CSE: **CYBX**

### 7. SHARE CAPITAL (continued)

stock option was determined using the Black-Scholes option pricing model using the following assumptions: share price on grant date of \$0.69, expected life of stock option of 2 years, volatility of 111.14%, annual rate of dividends of 0.00% and a risk free rate of 0.66%. The Company recognized stock-based compensation of \$97,600 during the period ended March 31, 2018.

On July 17, 2017, the Company granted 3,000,000 stock options to various officers, directors and consultants. The options are exercisable at \$0.45 per share and expire on July 17, 2019, and follow a vesting schedule whereby 10% of the options vest immediately and the remaining options vest in equal portions on the dates that are three, six, nine, twelve, fifteen and eighteen months after grant date. The weighted average fair value of \$0.45 per stock option was determined using the Black-Scholes option pricing model using the following assumptions: share price on grant date of \$0.41, expected life of stock option of 2 years, volatility of 111.14%, annual rate of dividends of 0.00% and a risk free rate of 0.66%. The Company recognized stock-based compensation of \$203,220 during the period ended March 31, 2018.

### 8. RELATED PARTY TRANSACTIONS

The following related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties. Unless otherwise noted, amounts due to and from related parties were non-interest bearing, unsecured and had no fixed terms of repayment.

- a) During the 9 months ended March 31, 2018, a private company owned by the former Chief Executive Officer charged \$90,000 in fees to the Company (2017-\$90,000). Included in accounts payable and accrued liabilities is \$233,004 (June 30, 2017 – \$230,558) for unpaid fees.
- b) During the 9 months ended March 31, 2018, a company with common director (former CEO) charged the Company \$Nil (2017-\$2,355) in office and rent expenses.
- c) During the 9 months ended March 31, 2018, a private company owned by the Chief Executive Financial charged \$14,500 in fees to the Company (2017-\$Nil).
- d) In April 2016, RD Capital Inc. loaned the Company \$25,000. The amount is non-interest bearing with no fixed terms of repayment. In January 2017, an additional \$25,000 was loaned to the Company from RD Capital Inc. with the same terms. In March 2017, the Company repaid the loans.
- e) As part of Agreement between the Company and HTSI, the Chief Executive Officer of the Company advanced USD\$100,000 (\$124,800) to HTSI on July 6, 2017. A promissory note for USD\$100,000 was signed by the Company. The promissory note is unsecured, non-interest bearing, due on demand and can be repaid in whole or in part at any time without notice, penalty or bonus. The full balance was repaid on February 13, 2018.
- f) On October 23, 2017, and November 2, 2017, the spouse of the CEO loaned the Company \$455,000 and \$258,840, respectively. The amounts are non-interest bearing with no fixed terms of repayment. The funds were used as part of the HTSI advance. The full balance was repaid by February 13, 2018.

## **Hilltop Cybersecurity Inc.**

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Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended March 31, 2018

(Expressed in Canadian Dollars)

CSE: **CYBX**

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### **9. CAPITAL DISCLOSURES**

The Company was formed for the purpose of acquiring exploration and development stage natural resource properties. The Board determines the Company's capital structure and makes adjustments to it based on funds available to the Company in order to support the acquisition, exploration and development of mineral properties. The Directors have not established quantitative return on capital criteria for capital management.

The Company does not generate any revenue, and accordingly, the Company will be dependent in the future upon external financing to fund future exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed.

The directors review their capital management approach on an ongoing basis and believe that this approach, given the relative size of the Company, is reasonable.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, assuring continued returns for shareholders and benefits for other stakeholders.

The Company considers the items included in the statement of shareholders' equity (deficiency) as capital. 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. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company has no externally imposed capital requirements.

### **10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 – Applies to assets or liabilities for which there are unobservable market data.

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(Expressed in Canadian Dollars)

CSE: **CYBX**

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

The Company has no assets or liabilities subject to fair value measurement on a recurring basis. For assets and liabilities measured at fair value on a non-recurring basis, the following table provides the fair value measures by level of valuation assumptions used:

	FAIR VALUE INPUT LEVEL	Period Ended March 31, 2018		Year Ended JUNE 30, 2017	
		CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Financial Assets:					
Cash	1	\$ 563,463	\$ 2463,463	\$ 138,026	\$ 138,026
Investment in HTSI	3	\$ 770,075	\$ 770,075	\$ -	\$ -

Due to the relatively short-term nature of cash and accounts payable and accrued liabilities, the fair value of these instruments approximates their carrying value. Risk management is carried out by the Company's management team with guidance from the Board of Directors.

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

a) Credit Risk

The Company's credit risk is primarily attributable to cash and advance on first closing. Cash is held with one reputable Canadian chartered bank which is closely monitored by management. Management believes that the credit risk with respect to financial instruments is minimal.

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2018, the Company held cash of \$563,463 (June 30, 2017 - \$138,026) and had current liabilities of \$296,349 (June 30, 2017 - \$231,418). All of the Company's current liabilities, excluding amounts owed to related parties, have contractual maturities of less than 30 days and are subject to normal trade terms.

c) Market Risk

i) Interest Rate Risk

The Company has cash balances, and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks.

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Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended March 31, 2018

(Expressed in Canadian Dollars)

CSE: **CYBX**

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**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

ii) Foreign Currency Risk

The Company's functional currency and the reporting currency is the Canadian dollar. Periodically the Company incurs charges to its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company does not participate in any hedging activities to mitigate any gains or losses which may arise as a result of exchange rate changes.

As at December 31, 2017, there are no financial assets and liabilities denominated in currencies other than the Canadian dollar.

iii) Commodity Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**11. SUBSEQUENT EVENTS**

On April 17, 2018, 100,000 share purchase options were exercised for gross proceeds of \$40,000.