

**LIGHTNING VENTURES INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE  
THREE MONTHS ENDED JUNE 30, 2017**

## **INTRODUCTION**

The following Management Discussion and Analysis (“MD&A”) of Lightning Ventures Inc. (formerly Highmark Marketing Inc.) (the “Company”) has been prepared by management in accordance with the requirements of National Instrument 51-102 as of September 11, 2017. This MD&A should be read in conjunction with the condensed consolidated interim financial statements as at June 30, 2017 and the related notes contained therein which have been prepared under International Financial Reporting Standards (“IFRS”). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

## **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of our management as well as assumptions made by and information currently available to us. When used in this document, the words “*anticipate*”, “*believe*”, “*estimate*”, “*expect*” and similar expressions, as they relate to our company or our management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of our exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or our achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

## COMPANY OVERVIEW

### Background

Lightning Ventures Inc. (formerly Highmark Marketing Inc.) (the “Company”) was incorporated under the laws of British Columbia on April 2, 2014. Its registered and records office is located at Suite 700 - 838 West Hastings Street, Vancouver, British Columbia V6C 0A6. The Company is an oil and gas industrial services company. It operates a specialty manufacturing business based out of Hobbs, New Mexico through its subsidiary Lightning Industries, Inc., which provides products to enhance efficiency and increase the production of oil and gas wells. Lightning Ventures also is engaged in the service and sale of water for industrial purposes in the oil and gas industry in Mexico with its business partner, Tadhams Energy.

### Significant Events

- a) On August 12, 2015, the Company announced that it has entered into a non-binding letter of intent (“LOI”) with Mr. Donald Rainwater setting out the proposed terms for a joint venture between the parties. The joint venture will target acquiring, marketing, and facilitating the use of water rights within the Jiminez District of Mexico for use by energy companies in the exploitation of Oil and Gas within the region. Monetary payments will be made by Highmark to Mr. Rainwater to enter into a joint venture agreement, with the payment terms to be negotiated prior to entering into the joint venture. No shares of Highmark will be issued under the joint venture. Activity in this venture had not begun as of September 11, 2017.
- b) On September 1, 2015, the Company announced that it has entered into a non-binding letter of intent (“LOI”) with Blue Moon Advertising Inc. (“Blue Moon”) for the sale of BCBud Producers Inc. (“BCBud”) in which the Company will cancel 9,000,000 previously issued shares to Blue Moon, and maintain a 10% interest in BCBud and its Marihuana for Medical Purposes Regulations (“MMPR”) application.
- c) On September 3, 2015, the Company entered into a non-binding letter of intent with Lightning Industries Inc. to acquire 100% of Lightning’s authorized share capital. Lightning was wholly owned by Domenari Capital LLC.

The agreement to acquire Lightning contains the following key terms:

- The Company will issue 40,000,000 common shares to Domenari for the acquisition of Lightning.
  - The Company will issue a bonus of 2,000,000 common shares to Domenari if Lightning records a profit for a single fiscal year, in either the first or second full fiscal year starting January 1, 2015 with completion of audited annual financial statements.
  - The Company will issue a second bonus of 2,000,000 common shares to Domenari if Lightning records \$3,000,000 in revenues in the first, second or third full fiscal year immediately following the effective date with completed audited annual financial statements.
  - The purchase shares will be subject to a stock restriction agreement.
- d) On October 13, 2015, the Company announced that further to the letter of intent announced on September 1, 2015, it has entered into a share purchase agreement with Blue Moon Advertising Inc. (“Blue Moon”) and BCBud Producers Inc. (“BCBud”) pursuant to which the Company will cancel 9,000,000 previously issued shares to Blue Moon as consideration for the sale of 90% of

Highmark's interest in BCBud to Blue Moon. The Company will receive a pre-emptive right to maintain its 10% interest in BCBud during any future distribution of BCBud securities. On October 20, 2015, the Company has closed the share purchase agreement with Blue Moon Advertising Inc. and BCBud Produces Inc.

- e) On October 29, 2015, the Company announced that it has finalized terms which will form the basis of its joint venture for the development of water rights announced on August 12, 2015. The joint venture is seeking to provide water and related services to oil and gas companies at drilling facilities in the Jiminez District in Mexico. The proposed business is to sell water directly to oil and gas companies for use as in fracking fluid, and provide further ancillary services, including water delivery, on site storage, cleaning, disposal, and further transportation. Activity in this venture had not begun as of September 11, 2017.

The Company has agreed to a non-binding term sheet with Tadhham S.A. de C.V., an entity which has access to water resources in the Jiminez District. Tadhham has secured the right to 1,000,000 gallons of water per day from regional aquifer systems and recently entered into a letter of intent for the provision of an additional 800,000 gallons per day. Tadhham has agreed to provide the Company distribution rights to its water resources for fracking purposes. In return, the Company will market and develop a business of water supply and ancillary water cycle services associated with oil and gas extraction. The Company will receive full water distribution rights in exchange for providing Tadhham 40% of any profits generated under the water distribution business. Activity in this venture had not begun as of September 11, 2017.

- f) On December 16, 2015, the Company announced that its Tadhham Services has launched a website and has begun the process of marketing its services.
- g) On December 14, 2015, the Company announced that it has entered into an investor relations agreement ("Agreement") with R & R Consulting ("R & R") for a term of 12 months commencing on December 14, 2015 (the "Effective Date"). The Agreement may be renewed or terminated by either party on thirty days written notice.

R & R will carry out on behalf of the Company the development of an investor relations program, dissemination of corporate information, and assistance with broker and investor presentations and communications.

As consideration for services provided, the Company will pay R & R a onetime fee of \$50,000 and an ongoing fee of \$3,500 per month. The Company will also grant R & R, in accordance with the policies of the Canadian Securities Exchange, an incentive stock option to purchase 500,000 common shares in the capital of the Company. These options may be exercised for a period of 12 months from the grant date, unless the Agreement is terminated by either party at an earlier date, at an exercise price of \$0.05 per common share.

- h) On February 1, 2016, the Company entered into a definitive share exchange agreement ("**Agreement**") with Lightning Industries Inc. ("**Lightning**") to acquire 100% of Lightning's authorized share Capital. Lightning was wholly owned by Domenari Capital, LLC ("**Domenari**").

### **Key terms of the agreement**

The agreement to acquire Lightning contains the following key terms:

- The Company will issue 40,000,000 common shares to Domenari for the acquisition of Lightning.

- Upon Lightning recording a profit for a single fiscal year, in either the first or second full fiscal year starting January 1, 2015, 2,000,000 common shares of Highmark will be issued to the Shareholder (“Bonus A”); and the Company will issue a second bonus of 2,000,000 common shares to Domenari if Lightning records \$3,000,000 in revenues in the first, second or third full fiscal year immediately following the effective date.
- Upon closing, the Company will designate the board of directors to be Marc Branson, Donald Rainwater and David Taylor, and the officers to be Donald Rainwater (president and chief executive officer), Marc Branson (vice-president of corporate development) and a chief financial officer who will be jointly nominated at a later date.

The purchase shares will be subject to a stock restriction agreement which will contain the following vesting schedule. The Company closed this arrangement on June 1, 2016 as described in the *Financing* section.

<b>Vesting date</b>	<b>Proportion of vested shares</b>
On the closing date of the agreement (effective date)	10 per cent of the purchase shares
Six months after the effective date	15 per cent of the purchase shares
12 months after the effective date	15 per cent of the purchase shares
18 months after the effective date	15 per cent of the purchase shares
24 months after the effective date	15 per cent of the purchase shares
30 months after the effective date	15 per cent of the purchase shares
36 months after the effective date	the remainder of the purchase shares

On June 27, 2017, the Company issued an additional 2,000,000 bonus shares to Domenari pursuant to the arrangement.

### **Select financial information about Lightning**

The Company’s management is relying expressly on the information provided to it by Lightning in the following discussion, and it should be considered as such. For the three months ended June 30, 2017, Lightning had gross sales of US \$36,890 gross profit of US \$15,944 and a net loss of US \$108,166.

### **Trading halt**

In connection with the Lightning acquisition, the shares of the Company have been halted from trading, and management expects they will do so until such time that there is sufficient information in the public domain for current shareholders, potential investors and other related stakeholders to adequately review the merits and the validity of the transaction. The Company's management is currently preparing an information circular that will address this disclosure and anticipates that, upon filing this document on SEDAR, the Company should, within a reasonable time frame, resume trading.

Investors are cautioned that, except as disclosed in the management information circular to be prepared in connection with the Lightning acquisition, any information released or received with respect to the acquisition of Lightning may not be accurate or complete and should not be relied upon. Trading in the securities of Highmark should be considered highly speculative.

The Company has been pursuing a number of new business opportunities as part of a strategic process to enhance shareholder value, including advanced discussion with companies within the natural resource, technology, and manufacturing sectors.

### *Financing*

- a) On September 28, 2015, the Company closed the first tranche of a non-brokered private placement (the “Private Placement”) for total gross proceeds of \$48,350.

The Company issued 552,000 units at a price of \$0.05 per share in connection with the Private Placement, with each unit comprising one common share and one purchase warrant. Each purchase warrant is exercisable for one common share at a price of \$0.06 for a period of twelve months from the grant date. The Company also issued 415,000 common shares at a deemed price of \$0.05 per share in connection with the settlement of outstanding debts with various creditors.

In connection with the Private Placement, the Company paid a finder’s fee of \$2,670 cash and issued 55,200 finder’s warrants. Each finder’s warrant is exercisable into one common share of the Company at \$0.06 per share for a period of one year from the closing date of the Private Placement.

- b) On March 7, 2016, the Company announced the closing of the first tranche of a private placement of 700,000 units at a price of \$0.05 per unit for gross proceeds of \$35,000. Each unit consists of one common share and one full share purchase warrant. Each warrant is exercisable into one common share for a period of 36 months from the date of issuance at a price of \$0.075 per share. The common shares and warrants comprising the units will be subject to a four month and one day hold period in accordance with the policies of the Canadian Securities Exchange (the “CSE”) and applicable securities regulation.

In connection with the Private Placement, the Company paid a cash commission of \$2,500 to a finder equal to 10% of the gross proceeds raised, and issued 50,000 finder’s warrants that entitles the holder thereof to purchase 50,000 common shares that is equal to 10% of the number of units issued under the Private Placement for a period of 36 months from issuance at an exercise price of \$0.075 per common share.

- c) On May 5, 2016, May 5, 2016, the Company entered into a series of debt conversion agreements with creditors in order to settle \$117,325 in outstanding debt through the issuance of 2,346,500 Company units at a fair value of \$0.05 per unit. The closing of the debt conversion occurred on May 6, 2016.

Each unit issued under the debt conversion consists of one common share and one purchase warrant. Each purchase warrant entitles the holder thereof to acquire one common share for a period of 36 months from the date of issue at an exercise price of \$0.075 per common share.

The Company allocated \$59,862 of the proceeds to share capital and \$57,463 to the warrants based on their relative fair values, with a deemed fair value for the shares of \$0.03. Fair value of the warrants was calculated using the black scholes method.

- d) On June 1, 2016, the Company has closed the share exchange agreement entered into on February 1, 2016 with Lightning Industries, Inc. and Domenari Capital LLC (the “Agreement”), whereby the Company acquired Lightning Industries.

In connection with the share exchange agreement, the Company issued 40,000,000 common shares to Domenari Capital, LLC, in exchange for 100% of the shares in Lightning. The shares were had a deemed price of \$0.03 per unit for a total of \$1,200,000.

- e) In July 2016, the Company entered into a series of debt conversion agreements with creditors in order to settle \$152,500 in outstanding debt through the issuance of 3,050,000 Company units at a deemed price of \$0.05 per unit. The closing of the debt conversion occurred on July 19, 2016.

Each unit issued under the debt conversion consists of one common share and one purchase warrant. Each purchase warrant entitles the holder thereof to acquire one common share for a period of 36 months from the date of issue at an exercise price of \$0.075 per common share.

The Company allocated \$76,250 of the proceeds to the shares and \$72,923 to the warrants based on their fair values. The shares had a deemed fair value of \$0.025 and the warrants were valued using the black scholes method. A gain of \$3,327 was recorded on the transaction.

- f) On June 27, 2017, the Company has closed an oversubscribed non-brokered private placement financing for total gross proceeds of \$579,500 involving key strategic investors. The company has issued 28,975,000 units at a price of two cents per unit. Each unit comprises one common share and one-half of one non-transferable share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the company for a period of up to 12 months at a price of five cents per share, subject to accelerated expiry. Also at that date, the Company issued 2,000,000 bonus shares to the former shareholder of Lightning Industries pursuant to the purchase agreement.
- g) During the three months period ended June 30, 2017, the Company has entered into debt settlement agreements with officers, consultants and directors of the Company whereas the Company has allotted and issued 1,000,000 common shares at two cents and 2,155,000 common shares at five cents to settle an aggregate \$127,750 of debt. The Company determined to satisfy this outstanding indebtedness with shares in order to preserve its cash for operations. All securities issued under the private placement and debt settlement are subject to a four-month-and-one-day hold period expiring on October 28, 2017.

### **Subsequent Events**

On July 5, 2017, the Company contracted Industrial Aldake SA de CV to provide a Lightning hot oil trailer for demonstration to Petroleos Mexicanos (Pemex) for Pemex's testing and evaluation. Testing commenced during the last week of July.

In addition, the Company continues to clean its balance sheet and previous debt and has entered into a debt settlement agreement with a corporation in which the Company's president and CEO is a partner, whereas the Company has allotted and issued 1,369,520 common shares at a deemed price of seven cents to settle \$95,866 of debt. The Company determined to satisfy this outstanding indebtedness with shares in order to preserve its cash for operations. All securities issued under the debt settlement are subject to a four-month-and-one-day hold period expiring on November 6, 2017.

### **Asset Purchase Agreement**

During the year ended March 31, 2016 the Company's wholly owned subsidiary, Highmark International, entered into an asset purchase agreement with RMDC Holdings Corp. ("RMDC").

Pursuant to the Asset Purchase Agreement with RMDC, Highmark International acquired, for a total price of \$10,000, the following:

- (1) a license agreement to distribute Vitapect™ products in North America and beyond;
- (2) ownership of domain names: www.vitapect.ca, www.vitapect.org and www.vitapect.co.uk;
- (3) online traffic from www.vitapect.com;
- (4) a corporate website;
- (5) prepaid expenses; and
- (6) Vitapect™ inventory.

A director of the Company and Highmark International, David Taylor, is a principal shareholder of RMDC, therefore, these payments constitute transactions with a related party. As at March 31, 2015, the amount of \$10,000 has been paid. As of March 31, 2016, the \$10,000 asset has been written-off as no cash-flows are expected from the asset.

The Company's wholly owned subsidiary, Highmark International, acquired, as a part of the asset purchase agreement, inventory of Vitapect™ product with a fair market value of \$3,316. During the year ended March 31, 2015, the inventory has expired and has been wholly written off.

The Company paid \$15,000 as a deposit and entered into a letter of intent with Intelliserve Software Inc. of North Vancouver to acquire Mobiweed, an on-line website, and related assets. Mobiweed hosts marijuana mapping software and related educational content, enabling visitors to search the location and details of marijuana dispensaries and pharmacies in North America. In 2015, the related assets were transferred as part of the MJ Biosciences spin out.

On October 13, 2015, the Company to announced that further to the letter of intent announced on September 1, 2015, it has entered into a share purchase agreement with Blue Moon Advertising Inc. (“**Blue Moon**”) and BCBud Producers Inc. (“**BCBud**”) pursuant to which the Company will cancel 9,000,000 previously issued shares to Blue Moon as consideration for the sale of 90% of Highmark's interest in BCBud to Blue Moon. The Company will receive a pre-emptive right to maintain its 10% interest in BCBud during any future distribution of BCBud securities. On October 20, 2015, the Company has closed the share purchase agreement.

On October 29, 2015, the Company has finalized terms which will form the basis of its joint venture for the development of water rights. The joint venture is seeking to provide water and related services to oil and gas companies at drilling facilities in the Jiminez district in Mexico.

Highmark has agreed to a term sheet with Tadhram SA de CV, an entity which has access to water resources in the Jiminez district. Tadhram has secured the right to one million gallons of water per day from regional aquifer systems and recently entered into a letter of intent for the provision of an additional 800,000 gallons per day. Tadhram has agreed to provide Highmark distribution rights to its water resources for fracking purposes. In return, Highmark will market and develop a business of water supply and ancillary water cycle services associated with oil and gas extraction. Highmark will receive full water distribution rights in exchange for providing Tadhram 40% of any profits generated under the water distribution business.

#### Plan of Arrangement

On January 20, 2015, the Company announced that the statutory plan of arrangement entered into on October 16, 2014 with Highmark Technologies Corp. (“Highmark Technologies”) and MJ Bioscience Corp. (“MJ Bioscience”) (the “Arrangement”) received approval from the Company shareholders on January 15, 2015 and approval from the Supreme Court of British Columbia on January 19, 2015, in accordance with Part 9 of the *Business Corporations Act* (British Columbia). The Company closed the Arrangement on January 29, 2015.

Upon the closing of the Arrangement, the Company will reorganize its business by completing a spin-off of certain assets by distributing all the shares in MJ Bioscience and Highmark Technologies to its shareholders as a return of paid in capital. MJ Bioscience will receive all of the Company's cannabis research assets, while Highmark Technologies will received the Company's Mobiweed platform.

#### **Lightning Acquisition and Transaction Costs**

On June 1, 2016, the Company went through a share purchase agreement with Domenari Capital, LLC, pursuant to which the Company has acquired all of the issued and outstanding common shares



of Lightning Industries Inc., representing a 100% interest in exchange for issuance of up to 40,000,000 common shares of the Company based on certain key terms.

On June 27, 2017, the Company issued an additional 2,000,000 bonus shares to Domenari.

The table below summarizes the consideration exchanged for control and the determination of transaction costs.

<b>Consideration paid</b>		\$
40,000,000 common shares		1,200,000
2,000,000 bonus shares		120,000
Cash payments		89,405
<b>Less: Fair value of identifiable net assets</b>		
Bank indebtedness		(3,369)
Amounts receivable		168,614
Prepaid expenses		3,199
Property, plant and equipment		915,532
Trade and other payables		(1,259,700)
Notes payable		(895,659)
		(1,071,383)
<b>Goodwill</b>		<b>(2,480,788)</b>

## SELECTED FINANCIAL INFORMATION

	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2015	Period from March 19, 2014 (date of incorporation) to March 31, 2014
Working capital (deficit)	\$ (2,486,835)	\$ (166,124)	\$ (6,765)	\$ 143,890
Current assets	\$ 110,372	\$ 32,360	\$ 57,986	\$ 147,390
Total liabilities	\$ 2,902,697	\$ 198,484	\$ 64,751	\$ 3,500
Share capital and shares subscribed	\$ 1,927,013	\$ 590,901	\$ 1,056,500	\$ 158,500
Shareholders equity (deficit)	\$ 482,611	\$ (166,124)	\$ 52,319	\$ 143,890

## RESULTS OF OPERATIONS

During the three month period ended June 30, 2017, the Company incurred comprehensive loss of \$105,428 which consists of \$26,555 in gross profit, \$13,000 in interest expense, \$19,778 in office costs, \$25,000 in consulting fees, \$Nil in filing fees, \$38,479 in professional fees, \$115,365 in salaries and wages, \$1,701 in travel and entertainment costs, \$81,340 in gain on debt settlement, and an income of \$5,105 on foreign currency translation.

During the three month period ended June 30, 2016, the Company incurred comprehensive loss of \$1,166,664, which consists of \$60,002 in gross profit, \$Nil in interest expense, \$36,258 in office costs, \$100,000 in consulting fees, \$1,085 in filing fees, \$4,500 in professional fees, \$111,357 in salaries and wages, \$1,019,796 in transaction costs, \$600 in travel and entertainment costs, and \$46,930 in gain on debt settlement.

## Summary of Quarterly Results

Results for the most recent completed financial period are summarized in the table below:

	<b>Three months ended June 30, 2017</b>	<b>Three months ended March 31, 2017</b>	<b>Three months ended December 31, 2016</b>	<b>Three months ended September 30, 2016</b>	<b>Three months ended June 30, 2016</b>	<b>Three months ended March 31, 2016</b>	<b>Three months ended December 31, 2015</b>	<b>Three months ended September 30, 2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	47,999	152,138	135,960	149,000	71,657	Nil	Nil	Nil
Net Income (Loss)	(105,428)	283,743	(160,811)	105,969	(1,166,664)	317,879	(49,689)	(32,897)
Earnings (Loss) per	(0.00)	0.00	(0.00)	0.00	(0.02)	0.00	(0.00)	(0.00)
Total Assets	3,663,621	3,385,308	870,811	812,568	606,923	32,360	115,011	61,157
Working Capital Deficit	(2,225,825)	(2,486,835)	(1,172,551)	(1,038,838)	(869,121)	(158,834)	(59,487)	(32,229)

## Liquidity and Capital Resources

As at June 30, 2017, the assets of the Company were represented by \$327,781 in cash, \$60,904 in receivables, \$794,148 in property, plant, and equipment, and \$2,480,788 in Goodwill.

As at June 30, 2016, the assets of the Company were represented by \$11,000 in receivables, \$15,040 in prepaid expenses and \$580,883 in property, plant and equipment.

The Company has to rely upon the sale of equity securities, primarily through private placements for cash, for general operating activities. All completed private placement arrangements are described in the *Significant Events* section above.

The Company has not pledged any of its assets as security for loans, or otherwise is not subject to any debt covenants. Based on current information, the Company anticipates that its working capital is sufficient to meet its expected ongoing obligations for the coming year.

## Transactions with Related Parties

Related party transactions were in the normal course of business and amounts due to related parties are unsecured, non-interest bearing and without specific terms of repayment.

Key management comprises directors and executive officers. The Company did not pay post-employment benefits and long-term benefits to key management. The following compensation was paid to key management:

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>
Consulting fees	\$ 25,000	\$ -

---

\$	25,000	\$	-
----	--------	----	---

---

For the three months ended June 30, 2017, the Company paid \$Nil (2016 - \$Nil) for consulting services to GSS, a company with a former common director.

For the three months ended June 30, 2017, the Company paid \$Nil (2016 - \$Nil) for consulting services to RMDC, a former director of the Company is a significant shareholder.

For the three months ended June 30, 2017, the Company paid \$10,000 (2016 - \$Nil) for consulting services to Bridgemark Capital Corp., a company with a common former director.

For the three months ended June 30, 2017, the Company paid \$5,000 (2016 - \$Nil) for consulting services to Nia Capital Corp, a company with a corporate secretary and director.

For the three months ended June 30, 2017, the Company paid \$5,000 (2016 - \$Nil) for consulting services to Donald Rainwater, CEO and director.

As at June 30, 2017, \$25,500 (March 31, 2017 - \$433,746) is included in due to related parties owing to those officers and directors for fees and expense reimbursements.

#### Outstanding Share Data

On June 30, 2017, the Company had 138,216,928 shares of its common stock issued and outstanding. The Company also had 144,000 options and 21,281,900 warrants outstanding.

On September 11, 2017, the Company had 139,586,448 shares of its common stock issued and outstanding. The Company also had 144,000 options and 21,281,900 warrants outstanding.

#### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### **SIGNIFICANT ACCOUNTING POLICIES**

All significant accounting policies adopted by the Company have been described in the notes to the unaudited condensed consolidated interim financial statements for the period ended June 30, 2017.

#### New accounting standards and interpretations

The following new standards and interpretations are not yet effective and have not been applied in preparing these financial statements. The Company is currently evaluating the potential impacts of these new standards and does not anticipate any material changes to the financial statements upon adoption of these new and revised accounting pronouncements.

IFRS 15 – Revenue from Contracts with Customers (effective January 1, 2018) provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition.

IFRS 9 – Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash

flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

IFRS 16 – Leases (effective January 1, 2019) specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

## **RISKS AND UNCERTAINTIES**

The Company's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional costs, including the Company's ability to (i) create brand recognition for the Products; (ii) determine appropriate advertising strategies, messages and media; and (iii) maintain acceptable operating margins on such costs. There can be no assurance that advertising and promotional costs will result in revenues for the Company's business in the future, or will generate awareness of the Company's technologies or services. In addition, no assurance can be given that the Company will be able to manage the Company's advertising and promotional costs on a cost-effective basis.

### Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which the Company cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

### Conflicts of Interest Risk

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures in the technology industry through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the products the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to The Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to us.

### Key Personnel Risk

The Company's success will depend on its directors and officers to develop the Company's business and manage its operations, and on the Company's ability to attract and retain key technical, sales and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

### Speculative Nature of Investment Risk

An investment in the Company's common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has not paid dividends, and are unlikely to pay dividends in the immediate or near future. The Company is in the development and planning phases of its business and has not started commercialization of the Company's products and services. The Company's operations are not yet sufficiently established such it can mitigate the risks associated with its planned activities.

### No Established Market for Shares Risk

There is currently no established trading market through which common shares in the Company's authorized capital may be sold. Even if a trading market develops, there can be no assurance that such market will continue in the future. As a result, investors in the Company may lose their entire investment.

### Liquidity and Future Financing Risk

The Company may require additional financing to fund future operations and expansion plans. The Company needs to raise at least \$1,000,000 further funds to carry out its business plan, but it does not yet have a commitment from anyone to invest the funds. The Company's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Company's business success. There can be no assurance that The Company will be successful in the Company's efforts to secure any additional financing or additional financing on terms satisfactory to the Company's management. If additional financing is raised by issuing common shares in the Company's authorized capital, control of the Company's company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its business plan or cease operating.

### Going-Concern Risk

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that The Company will be successful in completing an equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating 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.

### Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while The Company establish a user base for the Products. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, The Company is subject to liquidity risks in meeting the Company's development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the

trading price of the Company's common shares on the Canadian Securities Exchange (the "Exchange").

#### Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expect to retain the Company's earnings to finance further growth and, when appropriate, retire debt.

#### Share Price Volatility Risk

It is anticipated that the Company's common shares will be listed for trading on the Exchange. As such, external factors outside of the Company's control such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward technology sector stocks may have a significant impact on the market price of the Company's common shares. Global stock markets, including the Exchange, have from time to time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. The same applies to companies in the technology sector. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

#### Increased Costs of Being a Publicly Traded Company

As a company with publicly-traded securities, the Company will incur significant legal, accounting and filing fees not presently incurred. Securities legislation and the rules and policies of the Exchange require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which will significantly increase the Company's legal and financial compliance costs.

### **Financial Instruments**

#### Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities;

Level 2 – fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is carried at a level 1 fair value measurement. Trade and other payables, due to shareholder and trade and other receivables are measured using level 3 measurements. The carrying amount of trade

and other payables and due to shareholder approximates their fair value due to the short-term maturities of these items.

The Company manages risk through establishing policies that provide management oversight related to the risks of operations, including ensuring that risks are identified and assessed and appropriate policies are in place and effective. Financial instruments present a number of specific risks. Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, market risk is currency risk. Other risks associated with financial instruments include liquidity risk.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

1) Fair value

The carrying value of cash amounts, and accrued liabilities approximated their fair value because of the relatively short-term nature of these instruments.

2) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. The Company does not have a practice of trading derivatives.

3) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has notes payable with variable rates of interest of \$327,259.

4) Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid assets to meet its commitments associated with financial liabilities. The Corporation retains sufficient cash and cash equivalents to maintain liquidity. As at June 30, 2017, the Company has insufficient cash to settle its current liabilities.

The Company is funded through share issuances and is currently investigating financing opportunities so that it has sufficient liquidity to meet its liabilities when due. Trade and other payables are due within one year.

5) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument denominated in a foreign currency will fluctuate because of changes in foreign exchange rates. The Company operates internationally, which gives rise to the risk that cash flows may be adversely impacted by exchange rate fluctuations. Amounts subject to currency risks are primarily cash, accounts receivable, accounts payable and loans that are held in foreign currency. A change in foreign currency exchange rates can have an impact on net income and comprehensive income. The result of sensitivity analysis shows an increase or decrease of 5% in exchange rates, with all other variables held constant, could have increased or decreased the net income and comprehensive income by approximately \$31,263 (2016 - \$Nil).

## **Capital Management**

The Company defines its capital as shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its technologies and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the development stage, its principal source of funds is from the issuance of common shares.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash.

The Company expects its capital resources, which include a share offering, will be sufficient to carry its research and development plans and operations through its current operating period.

The Company is not subject to externally imposed capital requirements.

## **CONTINGENCIES**

There are no contingent liabilities.

## **DIRECTORS AND OFFICERS**

As of the date of this report, September 11, 2017, the Company's directors and officers are following:

Kelly Pladson – Director and Corporate Secretary

Donald Rainwater – Director and CEO

Keith Anderson – Director

Kenneth Tollstam – CFO