SVT Capital Corp.
(Formerly Verona Development Corp.)

Financial Statements

Year ended March 31, 2017

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SVT Capital Corp. (formerly Verona Development Corp.)

We have audited the accompanying financial statements of SVT Capital Corp., which comprise the statements of financial position as at March 31, 2017 and 2016, and the statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SVT Capital Corp. as at March 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about SVT Capital Corp.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
July 31, 2017

SVT Capital Corp. (Formerly Verona Development Corp.)
Statements of Financial Position
(Expressed in Canadian dollars)

	Note		March 31, 2017		March 31, 2016
ASSETS					
Current assets					
Cash		$	4,496	$	-
Other current assets	*4*		-		1,560
GST receivable			12,021		4,670
Marketable securities	*5*		-		6,514
		$	16,517	$	12,744
LIABILITIES					
Current liabilities					
Bank indebtedness		$	-	$	9
Accounts payable and accrued liabilities	*6*		133,907		452,095
Loan payable	*7*		34,500		10,500
			168,407		462,604
SHAREHOLDERS' EQUITY					
Share capital	*9*		10,824,805		10,527,764
Share-based payment reserve	*9*		2,492,353		2,289,394
Accumulated other comprehensive loss			-		(3,257)
Deficit			(13,469,048)		(13,263,761)
			(151,890)		(449,860)
		$	16,517	$	12,744

Nature of business and going concern	*1*
Subsequent events	*13*

Approved and authorized on behalf of the Board of Directors on July 31, 2017:

"*Anthony Jackson*"

"*Von Torres*"

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

SVT Capital Corp. (Formerly Verona Development Corp.)
Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Years ended March 31, 2017	March 31, 2016
Expenses			
Consulting fees		$ 87,843	$ -
Management fees	*8*	61,045	75,000
Marketing and Investor relation		-	7,955
Office and miscellaneous		8,299	1,526
Professional fees		19,367	1,157
Regulatory, transfer and filing fees		18,962	7,723
Loss from operations		(195,516)	(93,361)
Other items			
Gain on write-off of liabilities		-	254,033
Impairment of marketable securities	*5*	(9,771)	-
Net income (loss) for the year		(205,287)	160,672
Other comprehensive income (loss)			
Unrealized income (loss) on marketable securities	*5*	3,257	(3,257)
Comprehensive (loss) income for the year		$ (202,030)	$ 157,415
Basic and diluted income (loss) per share		$ (0.07)	$ 0.15
Weighted average number of common shares outstanding		2,791,028	1,070,490

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

SVT Capital Corp. (Formerly Verona Development Corp.)
Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended	
	March 31, 2017	March 31, 2016
Cash provided from (used in)		
Operating activities		
Net income (loss)	$ (205,287)	$ 160,672
Items not involving cash:		
Depreciation	-	530
Gain on write-off of liabilities	-	(254,033)
Impairment of investment	9,771	-
Net change in non-cash working capital		
Receivables	(7,351)	(2,560)
Other current assets	1,560	584
Accounts payable and accrued liabilities	(318,188)	83,598
Cash used in operating activities	(519,495)	(11,209)
Financing activities		
Shares issued	500,000	-
Bank indebtedness	(9)	9
Loan payable	24,000	10,500
Cash flows from financing activities	523,991	10,509
Change in cash	4,496	(700)
Cash, beginning	-	700
Cash, ending	$ 4,496	$ -

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

SVT Capital Corp. (Formerly Verona Development Corp.)
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Note	Number of shares	Share capital	Share-based payment reserve	Investment revaluation reserve	Deficit	Total shareholders' deficiency
Balance, March 31, 2015		1,070,480	$ 10,527,764	$ 2,289,394	$ -	$ (13,424,433)	$ (607,275)
Net income		-	-	-	-	160,672	160,672
Unrealized loss on marketable securities (net of deferred income tax)	*5*	-	-	-	(3,257)	-	(3,257)
Balance, March 31, 2016		1,070,480	10,527,764	2,289,394	(3,257)	(13,263,761)	(449,860)
Shares issued for cash	*9*	4,400,000	500,000	-	-	-	500,000
Warrants issued	*9*	-	(202,959)	202,959	-	-	-
Net loss		-	-	-	-	(205,287)	(205,287)
Unrealized loss on marketable securities	*5*	-	-	-	3,257	-	3,257
Balance, March 31, 2017		5,470,480	$ 10,824,805	$ 2,492,353	$ -	$ (13,469,048)	$ (151,890)

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

1. Nature of Business and Going Concern

SVT Capital Corp. (the "Company") is an exploration stage enterprise incorporated under the laws of British Columbia. On August 19, 2016, its name was changed to SVT Capital Corp. The Company's shares are trading on the TSX Venture Exchange ("TSX-V") under the new symbol "VTC". The Company is engaged in the acquisition of exploration and evaluation assets.

The head office, registered and principal address and records office of the Company are located at 3002 – 1211 Melville Street, Vancouver, British Columbia, Canada.

These financial statements have been prepared on the assumption the Company will continue as a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Management believes that the Company does not have sufficient funds to meet planned expenditures over the next twelve months and will need to seek additional equity financing. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt regarding the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the continued support of its shareholders and related parties, obtaining additional financing, and generating revenues sufficient to cover operating costs.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. Significant Accounting Policies

The financial statements were authorized for issue on July 31 2017 by the directors of the Company.

Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standard 1, Presentation of Financial Statements ("IAS 1") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on International Financial Reporting Standards ("IFRS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

These financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments which are measured at fair value. These financial statements are presented in Canadian dollars, unless otherwise indicated.

Significant estimates and assumptions

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

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, and contingent liabilities.

2. Significant Accounting Policies (continued)

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty, and the classification of financial instruments.

Foreign currency translation

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

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

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

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

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to share-based payment reserves. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Income (loss) per share

Basic income (loss) per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, basic income (loss) per share equals the dilutive income (loss) per share. Diluted income (loss) per share is calculated by using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

2. Significant Accounting Policies (continued)

Financial instruments

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

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

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

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

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

Non-derivative financial liabilities (excluding financial guarantees) are initially measured at fair value and subsequently measured at amortized cost.

On the Company's statement of financial position, cash and other current assets are classified as loans and receivables; marketable securities are classified as available for sale; and accounts payable and loan payable are classified as non-derivative financial liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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

The Company does not have any derivative financial assets and liabilities.

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of assets

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

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

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

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

Income taxes

<u>Current income tax:</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

<u>Deferred income tax:</u>

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Significant Accounting Policies (continued)

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for resource property interest.

The Company has no restoration, rehabilitation and environmental obligations.

3. New Accounting Standards, Interpretations and Amendments Issued But Not Yet Effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the future impact of this new standard on its financial statements.

New standard IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. The Company has not yet assessed the future impact of this new standard on its financial statements.

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

(Expressed in Canadian dollars)

4. Other Current Assets

		March 31, 2017		March 31, 2016
Prepaid expenses	$	-	$	1,560

5. Marketable Securities

The Company's marketable securities consist of shares in Global Hunter Corp. The fair market value of the shares is summarized as follows:

	Number of shares		March 31, 2017	Number of shares		March 31, 2016
Balance, beginning	325,687	$	6,514	325,687	$	9,771
Decrease in fair value	-		(6,514)	-		(3,257)
Balance, ending	325,687	$	-	325,687	$	6,514

The fair value of the shares March 31, 2017, has been determined by reference to the closing price of the shares on the TSX-V on March 31, 2017. At that date, the closing price was $0.00 per share (March 31, 2016 - $0.02), resulting in an impairment of $9,771 recorded in the statement of comprehensive loss.

6. Accounts Payable and Accrued Liabilities

		March 31,2017		March 31, 2016
Accounts payable	$	44,357	$	37,395
Accrued liabilities		8,000		8,000
Due to related parties (Note 8)		81,550		406,700
	$	133,907	$	452,095

7. Loan Payable

The loan payable is non-interest bearing, unsecured, and is due on demand. As at March 31, 2017, $24,500 was owed to a director and a company controlled by a director (Note 8) and $10,000 was owed to a third party.

8. Related Party Transactions and Balances

a) Due to related parties

The following amounts are due to related parties:

		March 31, 2017		March 31, 2016
Due to a relative of a director of the Company	$	-	$	343,700
Due to a company controlled by a director of the Company (Note 6)		81,550		63,000
	$	81,550	$	406,700

Amounts due to related parties are unsecured, non-interest-bearing and are repayable on demand.

At March 31, 2017, the Company was loaned $24,500 by a director and a company controlled by a director (Note 7).

b) The Company was charged the following amounts by directors, officers or companies owned by current and former officers and directors for the years ended March 31, 2017 and 2016:

		March 31, 2017		March 31, 2016
Management fees	$	60,000	$	75,000
Management fees to a former director		1,045		-
	$	61,045	$	75,000

(Expressed in Canadian dollars)

8. Related Party Transactions and Balances (continued)

c) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the years ended March 31, 2017 and 2016 were as follows:

		March 31, 2017		March 31, 2016
Short-term benefits	$	60,000	$	75,000

9. Share Capital

a) Authorized

Unlimited number of common shares without par value.

b) Issued share capital

On May 17, 2016, the Company consolidated its issued and outstanding share capital on the basis of one post-consolidation share for each 30 pre-consolidation common shares. All references to the number of shares has been restated to reflect the change.

The Company had 5,470,480 common shares issued and outstanding as at March 31, 2017 (2016 – 1,070,480).

On January 6, 2017, the Company closed its private placement consisting of the issuance of 400,000 units at a price of $0.15 per unit for gross proceeds of $60,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.20 expiring one year from the issuance date.

On October 7, 2016, the Company closed the first tranche of a non-brokered private placement of 1,818,181 units at a price of $0.11 per unit for gross proceeds of $200,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.155, expiring one year from the issuance date.

On November 18, 2016, the Company closed the second tranche of a non-brokered private placement of 2,181,819 units at a price of $0.11 per unit for gross proceeds of $240,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.155, expiring one year from the issuance date.

c) Options

The Company has established a rolling stock option plan (the “Plan”) in which the maximum number of shares that can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options in set at the Company’s closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSX-V.

The Company does not have any stock options outstanding as of March 31, 2017 and 2016.

(Expressed in Canadian dollars)

9. Share Capital (continued)

d) Warrants

A summary of share purchase warrant activities are as follows:

	Number of warrants	Weighted average exercise price
Outstanding and exercisable at March 31, 2016	-	$ -
Issuance of warrants	4,400,000	0.16
Outstanding and exercisable at March 31, 2017	4,400,000	$ 0.16

The fair value of these warrants was $202,959, estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of 0.73% - 0.74%, an expected life of 1 year, an expected volatility of 169.35% - 182.01%, and no expected dividends.

A summary of the share purchase warrants issued at March 31, 2017 is as follows:

	Warrants issued and exercisable	Exercise price	Expiry date
Share purchase warrants	4,000,000	$ 0.155	December 9, 2017
Share purchase warrants	400,000	0.200	January 6, 2018
	4,400,000	$ 0.160	

The weighted average life of warrants outstanding at March 31, 2017 is 0.70 years.

e) Reserves

Share-based payment reserve

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

Investment revaluation reserve

The investment revaluation reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses.

f) Basic and diluted loss per share

The Company has no dilutive securities outstanding.

10. Segmented Information

The Company is involved in one industry segment comprising the acquisition of exploration and evaluation assets.

11. Risk and Capital Management

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

11. Risk and Capital Management (continued)

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The cash is deposited in bank accounts held with major banks in Canada. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure that there are sufficient funds to meet its short-term business requirements, taking into account anticipated cash flows from operations and holdings of cash.

At March 31, 2017, the Company has current liabilities of $168,407 that are either overdue or payable within the next twelve months. Historically, the Company's source of funding has been the issuance of equity securities for cash, primarily through private placements, loans and advances from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding, or continued support from related parties by way of loans or advances.

(c) Market risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and other price risk. These are discussed further below:

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash and this risk is considered minimal.

Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company operates in Canada and therefore is not exposed to currency risk.

Commodity Price Risk

Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. The Company's financial instruments are not exposed to risk resulting from price fluctuations of commodities.

Other Price Risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk, price risk or foreign exchange risk. The Company is exposed to changes in market prices as this can impact the value of its marketable securities.

(Expressed in Canadian dollars)

11. Risk and Capital Management (continued)

(d) Capital management

The Company's policy is to maintain a sufficient capital base to sustain investor and creditor confidence and future development of its business. The capital structure of the Company consists of share and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

(e) Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount because of the short-term nature of these instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments measured at Level 1 include cash and marketable securities. The Company has classified its cash as loans and receivables, and marketable securities as available-for-sale financial assets using level 1 inputs. Accounts payable and loan payable are classified as non-derivative financial liabilities.

12. Income Tax Expenses and Deferred Tax Assets and Liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

		Year ended March 31, 2017		Year ended March 31, 2016
Income (loss) before income taxes	$	(205,287)	$	160,672
Statutory tax rate		26%		26%
Expected income tax recovery		(53,375)		41,775
Non-deductible items		2,535		-
Change in valuation allowance		50,840		(41,775)
Income tax recovery	$	-	$	-

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

		Year ended March 31, 2017		Year ended March 31, 2016
Non-capital losses	$	5,212,039	$	5,016,501
Equipment		670,792		670,792
Resource property		4,067,708		4,067,708
Marketable securities		200,625		200,625
Capital losses		203,236		203,236
	$	10,354,400	$	10,158,862

(Expressed in Canadian dollars)

12. Income Tax Expenses and Deferred Tax Assets and Liabilities (continued)

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	Canadian resource pools	Equipment	Marketable Securities	Capital loss
2026	$ 205,865	$ -	$ -	$ -	$ -
2027	1,298,146	-	-	-	-
2028	385,274	-	-	-	-
2029	1,267,464	-	-	-	-
2030	408,075	-	-	-	-
2031	859,030	-	-	-	-
2032	286,627	-	-	-	-
2033	71,909	-	-	-	-
2034	-	-	-	-	-
2035	141,280	-	-	-	-
2036	92,831	-	-	-	-
2037	195,538				
No Expiry	-	4,067,708	670,792	200,625	203,326
	$ 5,212,039	$ 4,067,708	$ 670,792	$ 200,625	$ 203,326

13. Subsequent Events

Engagement of Canaccord Genuity Corp. (“Canaccord”)

On April 4, 2017, the Company entered into an engagement letter dated March 30, 2017, with Canaccord and Delta 9 Bio-Tech Inc. (“Delta”), whereby Canaccord has agreed to assist the Company and Delta in connection with: (i) a brokered private placement of common shares of the Company to raise gross proceeds of $3-million and (ii) a bridge financing of secured convertible debentures of Delta to raise gross proceeds of $3-million for aggregate gross proceeds of $6-million, to be undertaken in connection with the Company's previously announced proposed acquisition of Delta. The transaction will result in the reverse takeover of the Company by Delta (as defined in the policies of the TSX-V). Upon successful completion of the transaction, it is anticipated that the Company will be listed as a Tier 2 industrial issuer on the TSX-V.

Amalgamation Agreement with Delta 9 Bio-tech Inc.

On May 31, 2017, the Company entered into a definitive amalgamation agreement with Delta, an arm's-length Manitoba-based licensed producer of medical cannabis, pursuant to which the Company has agreed to acquire all of the securities of Delta by way of a three-cornered amalgamation among the Company, Delta and a wholly owned subsidiary of the Company formed for the purpose of completing the amalgamation. Pursuant to the terms of the amalgamation agreement, the shareholders of Delta will receive one common share of the Company for each share of Delta held. In connection with the completion of the transaction, the Company intends to change its name to Delta 9 Cannabis Inc. or such other name as may be agreed by the parties. The amalgamation agreement is subject to TSX-V approval.

In connection with the execution of the amalgamation agreement Delta has completed a brokered bridge loan financing of $3-million. The terms of the bridge loan include: (a) an interest rate of 10 per cent per annum; (b) a maturity date of one year from the date of the advance of the bridge loan; (c) principal and accrued interest payable on the maturity date; and (d) all principal plus accrued but unpaid interest thereon being convertible, on the closing of the amalgamation, into the Company’s shares.