

DeepMarkit Corp.

**Financial Statements
for the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)**

DeepMarkit Corp.
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December 31, 2017 and 2016
(Expressed in Canadian Dollars)

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Management's Responsibility for Financial Reporting

To the Shareholders of DeepMarkit Corp.:

The accompanying financial statements have been prepared by Management in accordance with International Financial Reporting Standards and have been approved by the Board of Directors. In support of this responsibility, Management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The financial statements include amounts which are based on the best estimates and judgments of Management.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility principally through the Audit Committee.

The Audit Committee consists of a majority of independent directors not involved in the daily operations of the Company. The Audit Committee meets with Management and the external auditors to satisfy itself that Management's responsibilities are properly discharged and to review the financial statements prior to their presentation to the Board of Directors for approval.

The external auditors, Crowe MacKay LLP, appointed by the shareholders of the Company, have examined the financial statements and have expressed an opinion on the statements. The external auditors have free and full access to the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls. Their report is included with the financial statements.

April 27, 2018

(signed) "Darold H. Parken",
Director and President and Chief Executive Officer

(signed) "Sandra Généreux",
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of DeepMarket Corp.

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

Management's Responsibility for the 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 audits 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 DeepMarket Corp. as at December 31, 2017 and December 31, 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 modifying our opinion, we draw attention to Note 2 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of DeepMarket Corp. to continue as a going concern.

**Calgary, Alberta
April 27, 2018**

"Crowe MacKay LLP"
Chartered Professional Accountants

DeepMarket Corp.
Statements of Financial Position
As at December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
Assets		
Current		
Cash and cash equivalents	\$ 564,636	\$ 333,099
Accounts receivable	4,644	10,799
Prepaid expenses and deposits	3,294	11,982
	572,574	355,880
Property and equipment (Note 6)	27,761	35,175
	\$ 600,335	\$ 391,055
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 86,189	\$ 68,087
Debenture payable (Note 7)	2,000,000	2,000,000
	2,086,189	2,068,087
Shareholders' Equity (Deficiency)		
Share capital (Note 8)	12,245,804	9,788,090
Contributed surplus	1,624,080	1,474,427
Accumulated deficit	(15,355,738)	(12,939,549)
	(1,485,854)	(1,677,032)
	\$ 600,335	\$ 391,055

Going concern (Note 2)

Subsequent events (Note 14)

Approved by the Board:

(signed) "Darold H. Parken", Director

(signed) "Paul McKenzie", Director

DeepMarket Corp.
Statements of Loss and Comprehensive Loss
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
Expenses		
Wages and benefits (Note 9)	\$ 1,066,290	\$ 1,183,979
General and administrative (Note 9)	795,772	508,148
Stock-based compensation (Notes 8 & 9)	149,653	69,642
Professional fees (Note 9)	103,734	62,423
Listing and filing fees	45,528	14,559
Amortization (Note 6)	11,337	11,711
Finance costs (Notes 7 & 9)	241,149	154,393
Loss (gain) on foreign exchange	8,921	(117)
Interest income	(6,195)	(1,713)
Net Loss and Comprehensive Loss	\$ 2,416,189	\$ 2,003,025
Loss per share - basic and diluted	\$ (0.03)	\$ (0.03)
Weighted average number of shares outstanding	81,569,514	62,352,652

DeepMarket Corp.
Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Share capital	Contributed surplus	Accumulated deficit	Total equity (deficiency)
Balance - January 1, 2016	\$ 9,738,904	\$ 1,404,785	\$ (10,936,524)	\$ 207,165
Warrants exercised (Note 8)	49,186	-	-	49,186
Stock-based compensation (Note 8)	-	69,642	-	69,642
Net loss and comprehensive loss	-	-	(2,003,025)	(2,003,025)
Balance - December 31, 2016	\$ 9,788,090	\$ 1,474,427	\$ (12,939,549)	\$ (1,677,032)
Balance - January 1, 2017	\$ 9,788,090	\$ 1,474,427	\$ (12,939,549)	\$ (1,677,032)
Shares issued in private placements (Note 8)	2,647,500	-	-	2,647,500
Share issue costs (Note 8)	(189,786)	-	-	(189,786)
Stock-based compensation (Note 8)	-	149,653	-	149,653
Net loss and comprehensive loss	-	-	(2,416,189)	(2,416,189)
Balance - December 31, 2017	\$ 12,245,804	\$ 1,624,080	\$ (15,355,738)	\$ (1,485,854)

DeepMarket Corp.
Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
Cash provided by (used in):		
Operating activities		
Net loss	\$ (2,416,189)	\$ (2,003,025)
Non cash items		
Amortization (Note 6)	11,337	11,711
Amortization of transaction costs (Note 7)	-	20,000
Stock-based compensation (Note 8)	149,653	69,642
	(2,255,199)	(1,901,672)
Change in non-cash working capital items (Note 13)	32,945	(31,179)
	(2,222,254)	(1,932,851)
Investing activities		
Purchase of property and equipment (Note 6)	(3,923)	(20,851)
Financing activities		
Debenture proceeds (Note 7)	-	1,980,000
Issuance of common shares and warrants, net of issue costs (Note 8)	2,457,714	49,186
	2,457,714	2,029,186
Increase in cash	231,537	75,484
Cash and cash equivalents, beginning of years	333,099	257,615
Cash and cash equivalents, end of years	\$ 564,636	\$ 333,099
Cash and cash equivalents consists of:		
Cash	\$ 524,265	\$ 292,909
Redeemable term deposit	40,371	40,190
	\$ 564,636	\$ 333,099
Supplemental disclosure of cash flow information:		
Interest paid	\$ 241,149	\$ 134,393
Interest income received	\$ 6,195	\$ 1,713
Supplemental disclosure of non-cash items:		
Transaction costs offset against debenture proceeds	\$ -	\$ 20,000

DeepMarkit Corp.
Notes to the Financial Statements
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1. Nature of operations

DeepMarkit Corp. (the “Corporation” or the “Company”) was incorporated under the Business Corporation's Act (Alberta) on November 20, 2007 under the name Challenger Deep Resources Corp. On October 30, 2015, the Company changed its name to DeepMarkit Corp. The Company now trades on the TSX-V under the symbol MKT and on the OTCQB under the symbol MKTDF and is a Technology Issuer. To date the Company has not generated revenues from operations. The registered address of the Company is Suite 202, 615 15th Avenue SW Calgary, Alberta T2R 0R4.

2. Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

The Company’s ability to maintain its current level of operations is dependent on its ability to generate sufficient cash to fund its strategic business plan. To date, the Company has no sources of revenue. At December 31, 2017, the Company had cash of \$564,636 (2016 - \$333,099) and a working capital surplus of \$486,385 (2016 - \$287,793).

In fiscal 2017, the Company completed two equity private placements for gross proceeds of \$2,647,500. In fiscal 2016, the Company received debt financing in the amount of \$2,000,000 in the form of participating debentures. In addition to any capital raised from new financing, if any, there are 22,816,667 (2016 – 31,733,629) share purchase warrants exercisable at prices ranging from \$0.15 to \$0.25 expiring at various points from January 2018 to April 2018. Each share purchase warrant is exercisable into one common share.

While Management believes the Company has sufficient cash to discharge its obligations in the normal course of operations for the short-term, future operations will continue to be dependent upon the successful development of the Company’s business plan and raising of sufficient capital to execute on that plan, and the corresponding generation of future cash flows. Management believes the going concern assumption is appropriate for these financial statements. The Company’s ability to continue as a going concern on a near, medium and longer term basis depends on its ability to successfully raise additional financing for further activity and development and achieve profitable operations. In order to fund the Company’s 2018 capital and operating budget, additional financing will be required. (See Note 14. - Subsequent events).

While the Company has been successful to date 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. Because the Company has been unsuccessful in generating income from its business, there is significant risk that additional financing may not be attainable in which event the Corporation would not be able to continue its business operations. If the going concern assumption were not appropriate for these financial statements, material adjustments might be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

3. Basis of presentation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by the Board of Directors on April 26, 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise noted. The financial statements are presented in Canadian dollars.

(c) Use of estimates and judgments

The preparation of the financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from these estimates. The more significant areas requiring the use of Management estimates and assumptions are discussed below. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimate of recoverability for non-financial assets

Events or changes in circumstances, may give rise to significant impairment charges or reversals of impairment in a particular year. In accordance with the Company's accounting policy, each non-financial asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use. Impairment testing is also performed annually for goodwill, if any. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties, and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected sales volumes, operating costs and future capital expenditure. This policy requires Management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged to the statement of loss and comprehensive loss.

DeepMarket Corp.
Notes to the Financial Statements
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3. Basis of presentation, continued

(c) **Use of estimates and judgments, continued**

(ii) Share-based payments

The Company provides compensation benefits to employees, directors and officers through a stock option plan. The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of the Company's share price. Historical data is utilized to estimate option exercises and forfeiture behaviour within the valuation model. The risk-free rate for the expected term of the option is based on the Government of Canada bond yield curve in effect at the time of the grant.

(iii) Fair value of financial instruments, including embedded derivatives

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(iv) Taxation

The Company's accounting policy for taxation requires Management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the statement of financial position. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on Management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the statement of financial position and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of loss and comprehensive loss.

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Notes to the Financial Statements
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4. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) **Financial instruments**

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

- (i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss (“FVTPL”) are financial assets held for trading or financial assets designated as such by Management on initial recognition. Such assets are held for trading if they are acquired principally for the purpose of selling in the short-term. These assets are initially recognized, and subsequently carried, at fair value, with changes recognized in the statement of loss and comprehensive loss. Transaction costs are expensed.
- (ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.
- (iii) Financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.
- (iv) Equity Instruments
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or asset. Common shares, warrants and share purchase options are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax effects if any.

In the case where common shares and warrants are issued as part of a unit offering, the Company uses the residual value method in valuing the offering’s shares and warrants. The residual value method first allocates value to the more easily measurable component based on fair value and the residual value, if any, to the less easily measurable component. The fair value of common shares issued in private placement is determined to be the more easily measurable component and are valued at the trading price on the date of closing. The balance, if any, is allocated to the attached warrants.

4. Summary of significant accounting policies, continued

(b) Cash and cash equivalents

The “cash and cash equivalents” category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities greater than three months without early redemption feature and bank accounts subject to restrictions are not presented as cash equivalents but as financial assets. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(c) Long-lived assets

Software platform

Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when all of the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use or sale;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Cost that qualify for capitalization include both internal and external costs. The Company has not capitalized any development costs incurred to date as the Company's projects do not meet all of the criteria outlined above.

Property and Equipment

Property and equipment are recorded at cost and amortized starting in the month that the asset is put into use, using the declining balance method at a rate of 30% per year.

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted accordingly, if appropriate.

4. Summary of significant accounting policies, continued

(d) Impairment

(i) Financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for objective evidence of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Losses are recognized in profit or loss and reflected as an allowance against the related financial instrument. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets which generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets (the "cash-generating-unit" or "CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized directly against the carrying amount of the asset whenever the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to the goodwill and then to the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

4. Summary of significant accounting policies, continued

(e) Income taxes

Income tax comprises current and deferred tax and is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying values and their respective income tax basis and loss carry forwards. Deferred income tax assets and liabilities are measured using tax rates expected to be in effect when the temporary differences are likely to reverse. Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current and deferred tax assets against the respective liabilities and they relate to the same taxable entity and same taxation authority. The effect on deferred income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilized.

(f) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Fair value is measured using the Black-Scholes pricing model. This requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share options.

The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the Company's estimate of the shares that will eventually vest. Share-based payment expense is adjusted to account for differences between estimated and actual forfeitures in the period such differences occur.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(g) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings. Borrowing costs are capitalized when such costs are attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to prepare for its intended use. Other borrowing costs that are not directly attributable to qualifying assets are expensed in the period incurred.

DeepMarket Corp.
Notes to the Financial Statements
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4. Summary of significant accounting policies, continued

(h) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of shares outstanding adjusted for the effects of all dilutive potential common shares. Diluted earnings per share is not presented when it is anti-dilutive in nature.

5. Changes in accounting policy and disclosure

The Company adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions. There was no significant impact upon adoption of the below standards.

IAS 7 - "Statement of Cash Flows"

These amendments require that the following changes in liabilities arising from financing activities are disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

IAS 12 - "Income Taxes"

These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2018, and have not been applied in preparing these financial statements. The following new standards will not have a significant effect on the financial statements of the Company:

IFRS 9 - "Financial instruments"

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

IFRS 15 - "Revenue from Contracts with Customers"

This standard was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under this standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in this standard provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted.

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5. Changes in accounting policy and disclosure, continued

IFRS 2 - "Share-based Payment"

These amendments clarify the classification and measurement of cash-settled share-based payment transactions that include a performance condition, share-based payment transactions with a net settlement feature for withholding tax obligations, and modifications of a share-based payment transaction from cash-settled to equity-settled. These amendments are effective prospectively for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

IFRS 16 - "Leases"

This standard was issued in 2016 and eliminates the distinction between operating and finance leases for lessees, requiring that leases be capitalized by recognizing the present value of the lease payments and showing them as lease assets (right-of-use assets) and recognizing a financial liability representing the obligation to make future lease payments. A depreciation charge for the lease asset is recorded within operating costs and an interest expense on the lease liability is recorded within finance costs. Lessee won't have to recognize assets and liabilities for short-term leases and leases of low-value assets. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2019, with early adoption permitted if the entity has adopted IFRS 15.

IFRIC 22- "Foreign Currency Transactions and Advance Consideration"

IFRIC 22 clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

There are no other new and mandatory IFRS standards, amendments or interpretations that have been issued and will be effective for accounting periods on or after January 1, 2018 that are expected to be relevant to the Company.

6. Property and equipment

Cost	<u>Office equipment</u>
Balance, December 31, 2015	\$ 37,368
Additions	<u>20,851</u>
Balance, December 31, 2016	58,219
Additions	<u>3,923</u>
Balance, December 31, 2017	<u>\$ 62,142</u>
Accumulated amortization	
Balance, December 31, 2015	\$ (11,333)
Amortization for the year	<u>(11,711)</u>
Balance, December 31, 2016	(23,044)
Amortization for the year	<u>(11,337)</u>
Balance, December 31, 2017	<u>\$ (34,381)</u>
Net Book Value	
Balance, December 31, 2016	\$ 35,175
Balance, December 31, 2017	\$ 27,761

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7. Debenture payable

During the fiscal year ended December 31, 2016, the Company entered into a secured debenture financing (the "Original Debentures") with a private company controlled by a director (the "Lender"). Pursuant to the Original Debentures, the Lender agreed to advance \$700,000 of up to \$1,000,000, bearing interest at a rate of ten percent per annum, compounded monthly and payable quarterly. The Original Debentures were subsequently converted into a new secured participating debenture financing (the "Participating Debentures").

During the fiscal year ended December 31, 2016, the Company entered into the Participating Debentures with various arm's length and non-arm's length investors. Under this financing, the debenture holders have advanced \$2,000,000 in long-term capital. The aggregate \$2,000,000 is made up of the conversion of \$700,000 in principal amount of the Original Debentures into Participating Debentures and \$1,300,000 in new debt capital.

The Participating Debentures bear both basic and participating interest. Basic interest on the Participating Debentures accrues and is payable at the rate of twelve percent (12%) per annum calculated and paid quarterly. Participation interest will be calculated on the basis of twelve percent (12%) of gross promotion campaign sales, if any, and will be paid quarterly, one quarter in arrears. The Participating Debentures have a term of four (4) years and mature in July 2020.

The Participating Debentures are secured by a fixed and floating first charge on all of the assets of the Company. As additional security, debenture holders have been granted a nonexclusive, unrestricted license to use the promotion platform software in the event of a default in payment of any amounts due under the Participating Debentures or in the event that the Company ceases, for any reason, to diligently pursue the promotions campaigns. The license will terminate on payment of all amounts owing under the Participating Debentures, in accordance with the provisions thereof.

There were transaction costs incurred to secure the Original Debentures in the amount of \$20,000. All transaction costs have been capitalized and deferred. These deferred transaction costs have been fully amortized at the time of conversion into Participating Debentures and is included in finance costs in the statement of loss and comprehensive loss for the year ended December 31, 2016.

In the event of default of any amounts, including interest and principal, or violation of any covenants under the debenture agreements, such as dissolution, liquidation or bankruptcy proceedings by the Company, the holders of the debentures can effect an accelerated maturity of the instruments whereby any and all amounts owing become due on demand. The Company is in compliance with all internal and external covenants as at December 31, 2017 and 2016.

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8. Share capital

a) **Authorized**

Unlimited number of common shares
Unlimited number of preferred shares, issuable in series

Issued and outstanding common shares:

	December 31, 2017		December 31, 2016	
	Number	Amount	Number	Amount
Balance, beginning of years	62,777,733	\$ 9,788,090	62,321,618	\$ 9,738,904
Issued:				
On private placement	26,000,000	2,647,500	-	-
Warrants exercised	-	-	456,115	49,186
Share issue costs	-	(189,786)	-	-
Balance, end of years	88,777,733	\$ 12,245,804	62,777,733	\$ 9,788,090

(i) 2017 transactions

On June 26, 2017, the Company closed a non-brokered private placement consisting of 12,500,000 units (each a "Unit") of the Company, at a subscription price of \$0.12 per Unit for gross proceeds of \$1,500,000. Each Unit consists of one common share and 0.52 of a common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.15 for a period of one hundred and eighty days from the date of issuance of the Units.

The Company paid a finder's fee in connection with the private placement in the amount of \$150,000.

On January 31, 2017, the Company closed a non-brokered private placement consisting of 13,500,000 units (each a "Unit") of the Company, at a subscription price of \$0.085 per Unit for gross proceeds of \$1,147,500. Each Unit consists of one common share and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.15 for a period of one year from the date of issuance of the Units.

The Company paid a finder's fee in connection with the private placement in the amount of \$25,049.

(ii) 2016 transactions

During the year ended December 31, 2016, 456,115 warrants were exercised at an average price of \$0.108 per warrant.

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8. Share capital, continued

b) Warrants

	December 31, 2017		December 31, 2016	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning of years	31,733,629	\$ 0.15	32,189,744	\$ 0.15
Issued:				
On private placement	20,000,000	0.15	-	-
Exercised	-	-	(456,115)	0.11
Expired	(28,916,962)	0.12	-	-
Balance, end of years	22,816,667	\$ 0.19	31,733,629	\$ 0.15

As at December 31, 2017, the following warrants are outstanding:

Number	Exercise price	Expiry Date
9,316,667	\$ 0.25	April 2018
13,500,000	\$ 0.15	January 2018
22,816,667		

The weighted average remaining life span of the warrants is 0.17 years (2016 - 0.88 years).

c) Stock option plan

The Company has an incentive stock option plan (the "Option Plan") which provides the Board of Directors of the Company from time-to-time, in its discretion and in accordance with the Exchange requirements, the authority to grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. Options have been granted pursuant to the Option Plan which was last approved by the shareholders of the Company at a special meeting held on March 13, 2017.

DeepMarket Corp.
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8. Share capital, continued

(c) Stock option plan, continued

(i) 2017 transactions

During the year, the Company granted 500,000 options with an exercise price of \$0.14 to a consultant of the Company. The options vest in equal 25% increments over a period of four years and expire five years from the date of grant.

During the year, the Company granted 200,000 options with an exercise price of \$0.15 to a consultant of the Company. The options vested immediately and expire two years from the date of grant.

During the year, the Company granted 500,000 options with an exercise price of \$0.14 to an employee of the Company. The options vest in equal 25% increments over a period of four years and expire five years from the date of grant.

During the year, the Company granted 500,000 options with an exercise price of \$0.15 to a director of the Company. The options vested immediately and expire five years from the date of grant.

During the year, 208,000 options expired and 400,000 options were forfeited.

(ii) 2016 transactions

During 2016, the Company granted 2,100,000 options with an exercise price of \$0.15 to employees of the Company. The options vest in equal 25% increments over a period of four years and expire five years from the date of grant.

During 2016, the Company granted 400,000 options with an exercise price of \$0.12 to an employee of the Company. The options vest in equal 25% increments over a period of four years and expire five years from the date of grant.

During 2016, the Company granted 175,000 options with an exercise price of \$0.15 to a consultant of the Company. The options vest in equal 50% increments over a period of one year and expire two years from the date of grant.

During 2016, 1,273,750 options expired and 1,467,000 options were forfeited.

The following assumptions were used for valuing the options granted during the year ended December 31, 2017, using the Black-Scholes Option Pricing Model:

Risk-free interest rate	0.6% to 1.2%
Expected volatility	88% to 125%
Dividend yield	0%
Expected life of each option issued	1 to 5 years
Forfeiture rate	0% to 40%

Total stock-based compensation recognized during the year ended December 31, 2017 is \$149,653 (2016 - \$69,642).

DeepMarket Corp.
Notes to the Financial Statements
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8. Share capital, continued

(c) Stock option plan, continued

Details as to the stock options outstanding are as follows:

	December 31, 2017		December 31, 2016	
	Number of	Weighted	Number of	Weighted
	options	average exercise	options	average exercise
		price		price
Balance, beginning of years	4,808,000	\$ 0.15	4,873,750	\$ 0.18
Issued to directors, officers, employees and consultants	1,700,000	0.14	2,675,000	0.15
Expired	(208,000)	0.08	(1,273,750)	0.28
Forfeitures	(400,000)	0.12	(1,467,000)	0.13
Balance, end of years	5,900,000	\$ 0.15	4,808,000	\$ 0.15

As at December 31, 2017, the following options are outstanding:

	Number	Exercised price	Expiry Date
	300,000	\$ 0.200	March 2018
	200,000	\$ 0.150	April 2019
	1,000,000	\$ 0.075	February 2020
	1,200,000	\$ 0.200	June 2020
	300,000	\$ 0.210	December 2020
	200,000	\$ 0.150	April 2021
	1,200,000	\$ 0.150	July 2021
	500,000	\$ 0.150	January 2022
	500,000	\$ 0.140	April 2022
	500,000	\$ 0.140	July 2022
	5,900,000		

As at December 31, 2017, the weighted average remaining contractual life for options outstanding is 2.97 years (2016 - 3.68 years).

As at December 31, 2017, 3,200,000 (2016 - 2,033,000) options are fully exercisable and outstanding at a weighted average exercise price of \$0.17 (2016 - \$0.17).

As at December 31, 2017 there was \$98,999 (2016 - \$148,484) in unvested stock-based compensation expense that will be recorded over the remaining vesting period of the stock options.

d) Earnings (loss) per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year as follows:

	December 31, 2017	December 31, 2016
Weighted average number of common shares outstanding	81,569,514	62,352,652

Options and warrants to purchase common shares were outstanding however they are anti-dilutive in nature.

DeepMarket Corp.
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9. Related party transactions

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Related party transactions are disclosed below, unless they have been disclosed elsewhere in the financial statements.

In 2017, total compensation paid to directors, officers and key management of the Company was comprised of \$330,186 (2016 - \$282,615) in cash plus options having a fair value of \$58,353 (2016- \$Nil).

During the year ended December 31, 2017, cash compensation to the officers of the Company totaled \$95,833 (2016 - \$176,839). This compensation was included in wages and benefits on the statement of loss and comprehensive loss. As at December 31, 2017, \$Nil (December 31, 2016 - \$986) is included in accounts payable and accrued liabilities with respect to these fees.

During the year ended December 31, 2017, the Company incurred \$204,352 (2016 - \$75,476) in management consulting fees to officers of the Company. These fees were included in general and administrative expenses on the statement of loss and comprehensive loss. As at December 31, 2017, \$25,750 (December 31, 2016 - \$Nil) is included in accounts payable and accrued liabilities with respect to these charges.

During the year ended December 31, 2017, the Company incurred \$30,000 (2016 - \$30,300) in accounting fees to a company in which an officer of the Company is the principal shareholder. These fees were included in professional fees on the statement of loss and comprehensive loss. As at December 31, 2017, \$2,625 (December 31, 2016 - \$Nil) is included in accounts payable and accrued liabilities with respect to these fees.

During the year ended December 31, 2017, the Company paid rental fees of \$88,800 (2016 - \$88,800) to two companies in which a director and officer of the Company is the principal or a significant shareholder. These fees were included in general and administrative expenses on the statement of loss and comprehensive loss. As at December 31, 2017, \$7,770 (December 31, 2016 - \$Nil) is included in accounts payable and accrued liabilities with respect to these fees.

At December 31, 2017, \$1,900,000 (2016 - \$1,700,000) in debentures payable were owing to directors and officers and family members of a director and officer. During the year, the Company incurred \$223,092 for interest (2016 - \$117,536) in respect of the debenture financing which is included in finance costs on the statement of loss and comprehensive loss. See Note 7. - Debenture payable, for detailed information regarding the debentures.

DeepMarket Corp.
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10. Income taxes

a) Income tax expense

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective incomes taxes for the years ended December 31, 2017 and 2016:

	2017	2016
Loss before income taxes	\$ (2,416,189)	\$ (2,003,025)
Statutory income tax rate	27.0%	27.0%
Expected income tax recovery	(652,371)	(540,817)
Stock-based compensation	40,000	19,000
Share issue costs	(51,000)	-
Other	1,371	(1,183)
Change in tax benefits not recognized	662,000	523,000
Income tax expense	\$ -	\$ -

b) Deferred income taxes

The temporary differences that give rise to deferred income tax assets and liabilities are presented below:

	2017	2016
Amounts related to tax loss carry forwards	\$ 2,806,000	\$ 2,172,000
Amounts related to capital tax loss carry forwards	536,000	536,000
Tax value of mineral properties exceeding book value	49,000	55,000
Share issuance costs	43,000	9,000
	3,434,000	2,772,000
Less: Tax benefits not recognized	(3,434,000)	(2,772,000)
	\$ -	\$ -

DeepMarket Corp.
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10. Income taxes, continued

c) Loss carry-forwards

The Company has non-capital loss carry-forwards which may be utilized against future non-capital earnings as follows:

Year of expiry

2028	\$ 35,000
2029	186,000
2030	488,000
2031	1,355,000
2032	1,179,000
2033	1,029,000
2034	353,000
2035	1,429,000
2036	1,989,000
2037	<u>2,348,000</u>

\$ 10,391,000

The Company also has \$183,000 (2016 - \$203,000) in unused foreign exploration expenditures and \$3,973,000 (2016 - \$3,973,000) in capital losses. The potential tax benefit in relation to these losses has not been reflected in these financial statements.

11. Capital management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to meet ongoing development and operating costs.
- To invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Company includes debenture payable and shareholders' equity in the definition of 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 (upon approval from its Board of Directors, as required) may issue additional capital primarily through equity financing. The Company has no externally imposed capital requirements.

The following table describes the Company's capital structure:

Capital Structure	December 31, 2017	December 31, 2016
Debenture payable	\$ 2,000,000	\$ 2,000,000
Shareholders' Equity (Deficiency)	\$ (1,485,854)	\$ (1,677,032)
Total	\$ 514,146	\$ 322,968

DeepMarket Corp.
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12. Financial instruments

As at December 31, 2017 and 2016, the Company's financial instruments are cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and debenture payable. The amounts reflected in the statement of financial position are carrying amounts. These financial instruments are classified as follows:

- Cash and cash equivalents – fair value through profit or loss
- Accounts receivable – loans and receivables
- Accounts payable and accrued liabilities – financial liabilities at amortized cost
- Debenture payable – financial liabilities at amortized cost

The Company does not use derivative instruments or hedges to manage risks because the Company's exposure to credit risk, interest rate risk and currency risk is small.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents are exposed to credit risk, however the risk is deemed minimal as the counterparty is considered to be a low risk financial institution. Accounts receivable consists of the amount due from Canada Revenue Agency in relation to input tax credits arising as a result of the Goods and Services Tax (GST).

b) 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's cash and cash equivalents are exposed to interest rate risk as the Company invests cash and cash equivalents at floating rates of interest in highly liquid instruments. Fluctuations in interest rates impact the value of cash and cash equivalents. For the years ended December 31, 2017 and 2016, if interest rates had been 1% higher, total interest income received would have been higher by approximately \$4,489 and \$2,954, respectively, on an annualized basis. If interest rates had been 1% lower, total interest income would have been lower by approximately \$4,489 and \$1,713, respectively, on an annual basis. Pursuant to the terms of the participating debentures, the Company is required to pay additional interest equal to 12% of the revenue generated on qualifying product sales, see Note 7- Debentures payable.

c) Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company minimizes its currency risk by maintaining the majority of its liquid assets in stable currencies, including Canadian and US currencies. The Company holds US dollars, a 10% change in the exchange rate between the Canadian dollar and the US Dollar would result in the Company incurring a gain or loss of \$5,011 (2016 - \$3,466).

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities are all current and due within 90 days of the financial statement date. The Company ensures that it has sufficient capital to meet short term financial obligations after taking into account cash and cash equivalents on hand.

DeepMarket Corp.
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12. Financial instruments, continued

e) Fair value risk

The methods and assumptions used to develop fair value measurements for those financial instruments carried at fair value on the statement of financial position have been prioritized into three levels of a fair value hierarchy included in IFRS 7. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities, level two includes inputs that are observable other than quoted prices included in level one and level three includes inputs that are not based on observable market data.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Company's cash and cash equivalents are recorded using a level one fair value measurement.

The accounts receivable and accounts payable and accrued liabilities carrying values approximate fair value due to the short-term nature of the financial instruments.

The fair value of the debenture payable is impacted by changes in market yields which can result in differences between the carrying value and the fair value of the instruments. The carrying value of the debenture payable as at December 31, 2017 is \$2,000,000 (December 31, 2016 - \$2,000,000). The fair value of the debenture payable is not disclosed as it cannot be measured reliably due to the fact that there is no open market for similar debentures, the majority of the balance is held by related parties and the participating interest component is dependent on future sales, which are not reliably predictable.

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13. Change in non-cash working capital items

Changes in non-cash working capital were comprised of the following:

	2017	2016
Accounts receivable	\$ 6,155	\$ 4,390
Prepaid expenses and deposits	8,688	(11,207)
Accounts payable and accrued liabilities	18,102	(24,362)
Net change	\$ 32,945	\$ (31,179)

14. Subsequent events

In March 2018, the Company closed a non-brokered private placement consisting of 30,000,000 units (each a "Unit") of the Company, at a subscription price of \$0.05 per Unit for gross proceeds of \$1,500,000. Each Unit consists of one common share and one common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.10 for a period of twelve months from the date of issuance of the Units. The Company paid a finder's fee in connection with the private placement in the amount of \$43,580.

The Company loaned an aggregate \$200,000 to four employees of the Company to allow them to participate in the private placement. Each of the four employees subscribed for one million Units with the loan proceeds. The loans are repayable on demand, bear no interest and are secured by the Units purchased by the employees.

On April 13, 2018, the Company granted 4,100,000 options to the directors and certain employees of the Company at an exercise price \$0.07 per share. The options have a term of 5 years. Of the total options granted, 3,300,000 vested immediately, the remaining 800,000 options vest in equal 25% increments over a period of one year.