SMARTCOOL™

Smartcool Systems Inc. (TSX-V: SSC)
Condensed Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

SMARTCOOL™

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

SMARTCOOL™

Smartcool Systems Inc.
Consolidated statements of financial position
(Expressed in Canadian dollars, unless otherwise stated)

	March 31 2018	December 31 2017
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	188,060	477,000
Available-for-sale securities	-	-
Trade and other receivables (note 3)	525,007	311,517
Inventory (note 4)	240,102	224,361
Prepaid expenses and deposits	151,971	135,745
	1,105,140	1,148,623
Trade receivables	134,223	134,223
Property and equipment	3,703	3,263
Intangible assets (note 5)	472,012	592,071
Total assets	1,715,078	1,878,180
LIABILITIES		
Current liabilities		
Trade payables and accruals	832,199	891,813
Loans and advances (note 6)	87,594	82,569
Current portion of obligations under acquistion contracts (note 7)	413,762	384,958
Current portion of debentures (note 9)	149,195	123,778
	1,482,750	1,483,118
Obligations under acquisition contracts (note 7)	-	-
Debentures (note 9)	477,383	484,000
Deferred tax liability (note 11)	87,945	100,641
Total liabilities	2,048,078	2,067,759
SHAREHOLDERS' EQUITY		
Share capital (note 10(a))	33,101,727	32,863,660
Shares pending issue (note 10(d))	382,430	382,430
Reserve for equity settled share based transactions (note 10(b))	7,962,565	7,913,561
Accumulated other comprehensive income	(530,160)	(337,784)
	40,916,562	40,821,867
Deficit	(41,249,562)	(41,011,446)
	(333,000)	(189,579)
Total liabilities and shareholders' equity (deficiency)	1,715,078	1,878,180

Approved and authorized for issue by the Board of Directors on May 30, 2018

"Theodore Konyi"	"Dalton Larson"
Theodore Konyi	Dalton Larson

SMARTCOOL™

Smartcool Systems Inc.
Consolidated statements of operations
(Expressed in Canadian dollars, unless otherwise stated)

	Three months ended March 31	
	2018	**2017**
	$	$
Revenue	314,363	85,957
Cost of sales	46,127	26,143
Gross profit	268,236	59,814
Operating Expenses		
General and administrative expenses (note 16)	519,098	265,646
Amortization and depreciation (note 5)	120,399	138,186
Share-based compensation (note 10(b))	49,004	184
Research and development	18,537	-
	707,038	404,016
Operating loss	(438,802)	(344,202)
Impairment of intanbigle assets (note 5)		-
Finance expense	(36,514)	(33,247)
Foreign exchange gain (loss)	224,504	4,995
	187,990	(28,252)
Loss before income tax	(250,812)	(372,454)
Income tax recovery	12,696	11,505
Net loss for the period, net of tax	**(238,116)**	**(360,949)**
Net loss per share		
Basic	(0.00)	(0.00)
Diluted	(0.00)	(0.00)
Weighted average number of common shares outstanding (basic and diluted)	**198,653,488**	**144,620,515**

See accompanying notes to the consolidated financial statements

Smartcool Systems Inc.
Consolidated statements of comprehensive loss
(Expressed in Canadian dollars, unless otherwise stated)

	Three months ended March 31	
	2018	**2017**
	$	**$**
Net loss for the period	**(238,116)**	**(360,949)**
Other comprehensive loss	(192,376)	350
Total comprehensive loss	**(430,492)**	**(360,599)**

See accompanying notes to the consolidated financial statements

SMARTCOOL™

Smartcool Systems Inc.
Consolidated statements of cash flows

(Expressed in Canadian dollars, unless otherwise specified)

	Three months ended March 31 2018	2017
	$	$
Cash flows from operating activities		
Net loss for the period	(238,116)	(360,949)
Items not affecting cash:		
Depreciation of property and equipment	340	574
Amortization of intangible assets	120,059	137,612
Share-based compensation	49,004	184
Deferred tax liability	(12,696)	(12,696)
Foreign exchange (gain) loss	27,555	1,770
Accrued interest on short-term loans	3,458	16,704
Accrued interest on debentures	18,800	(21,506)
Accretion of obligation under acquisition contract	2,816	4,839
	(28,780)	(233,468)
Changes in non-cash working capital items:		
Trade and other receivables	(213,490)	29,673
Inventory	(15,741)	(1,999)
Prepaid expenses and deposits	(16,226)	461
Trade payables and accruals	(59,614)	(107,585)
Net cash flows used in operating activities	(333,851)	(312,918)
Cash flows from investing activities		
Purchase of property and equipment	(780)	-
Net cash used in investing activities	(780)	-
Cash flows from financing activities		
Shares and warrants issued for cash net of issue costs	238,067	390,525
Short-term loan	-	(46,049)
Net cash (used in) provided by financing activities	238,067	344,476
Net decrease in cash and cash equivalents	(96,564)	31,558
Effects of exchange rates changes on cash	(192,376)	(3,756)
Cash and cash equivalents, beginning of period	477,000	3,317
Cash and cash equivalents, end of period	188,060	31,119

See accompanying notes to the consolidated financial statements

SMARTCOOL™

Smartcool Systems Inc.
Consolidated statements of shareholders' equity (deficiency)
(Expressed in Canadian dollars, unless otherwise stated)

	Share capital	Reserve for equity settled share based transactions	Share pending issue	Accumulated other comrprehensive income	Deficit	Total Shareholders' Equity (Deficiency)
	$	$	$	$	$	$
Balance at January 1, 2017	**32,081,862**	**6,643,640**	**-**	**(321,719)**	**(39,028,979)**	**(625,196)**
Net loss	-	-	-	-	(360,949)	(360,949)
Available-for-sale securities unrealized loss	-	-	-	4,105	-	4,105
Foreign currency translation adjustment	-	-	-	(3,756)	-	(3,756)
Total comprehensive loss for the period	-	-	-	349	(360,949)	(360,600)
Shares issued for:						
Private placements	255,400	145,840	-	-	-	401,240
Warrants' term extension	(399,215)	399,215	-	-	-	-
Share issue costs	(6,857)	(3,858)	-	-	-	(10,715)
Share-based payments	-	184	-	-	-	184
Balance at March 31, 2017	**31,931,190**	**7,185,021**	**-**	**(321,370)**	**(39,389,928)**	**(595,087)**
Net loss	-	-	-	-	(1,621,518)	(1,621,518)
Available-for-sale securities unrealized loss	-	-	-	(4,105)	-	(4,105)
Transfer to statement of operations on sale of available-for-sale securites	-	-	-	12,316	-	12,316
Foreign currency translation adjustment	-	-	-	(24,625)	-	(24,625)
Total comprehensive loss for the period	-	-	-	(16,414)	(1,621,518)	(1,637,932)
Shares issued for:						
Private placements	509,109	(145,840)	-	-	-	363,269
Private placement (debenture offering)	16,136	-	-	-	-	16,136
Debt settlement	394,589	-	-	-	-	394,589
Warrants exercised	87,116	-	-	-	-	87,116
Warrants	-	554,725	-	-	-	554,725
Warrants' term extension	(40,188)	40,188	-	-	-	-
Share issue costs	(34,292)	(15,457)	-	-	-	(49,749)
Share-based payments	-	294,924	-	-	-	294,924
Share subscriptions received	-	-	382,430	-	-	382,430
Balance at December 31, 2017	**32,863,660**	**7,913,561**	**382,430**	**(337,784)**	**(41,011,446)**	**(189,579)**
Net loss	-	-	-	-	(238,116)	(238,116)
Foreign currency translation adjustment	-	-	-	(192,376)		(192,376)
				(192,376)	(238,116)	(430,492)
Shares issued for:						
Warrants exercise	238,500	-	-	-	-	238,500
Share issue costs	(433)	-	-	-	-	(433)
Share-based compensation	-	49,004	-	-	-	49,004
Balance at March 31, 2018	**33,101,727**	**7,962,565**	**382,430**	**(530,160)**	**(41,249,562)**	**(333,000)**

See accompanying notes to the consolidated financial statements

Smartcool Systems Inc.
Notes to the Consolidated Financial Statements
For the three months ended March 31, 2018
(expressed in Canadian dollars, except where otherwise indicated)

1. Nature of Operations and Going Concern

Smartcool Systems Inc. ("Smartcool" or the "Company"), was incorporated on August 31, 2000 under the Canada Business Corporations Act and changed its name to Smartcool Systems Inc. on July 20, 2004.

In 2004, the Company incorporated a wholly-owned subsidiary, Smartcool Systems (USA) Inc. ("Smartcool USA"), in Nevada. In 2006, a wholly-owned subsidiary Smartcool International Inc. ("Smartcool International") was incorporated in Barbados. In 2008, a wholly-owned subsidiary, Smartcool Systems (EMEA) Ltd. ("Smartcool EMEA"), was incorporated in England. In 2011, Smartcool EMEA acquired all of the outstanding shares of Smartcool Systems UK ("Smartcool UK"), also headquartered in England.

Smartcool EMEA and Smartcool UK were discontinued through voluntary liquidation in September 2014 and a new wholly-owned subsidiary, Lenten Street Limited ("Lenten Street"), was incorporated in England in October 2014.

The Company's shares are listed on the TSX Venture Exchange and the head office, principal address, and registered office is located at 2848 W. 22nd Avenue, Vancouver, B.C.

Smartcool and its subsidiaries are focused on acquiring, commercializing, and marketing energy saving technologies for commercial and retail businesses. Currently the Company has two principal revenue streams: the sale and installation of the ESM™ and ECO3™ to end customers and to distributors worldwide.

The ESM™ is manufactured by a third party in Australia and is designed specifically to reduce the electricity consumption and maximum demand of refrigeration and air conditioning compressors by improving their performance and maintaining temperature control. The ESM™ uses microprocessor technology and software algorithms.

Introduced in early 2009, the ECO3™ is manufactured in China and is a simple retrofit product that can be installed on any air conditioning, heat pump or refrigeration unit with one or two compressors, achieving the same energy efficiency gains as the ESM™ for these smaller systems.

During the three months ended March 31, 2018, the Company had a net loss of $238,116 compared to $360,949 for the same period of the previous year.

The company had a deficit of $41,249,562 as at March 31, 2018 (December 31, 2017 - $41,011,446). As at March 31, 2018, the Company had negative working capital of $377,610 (December 31, 2017 - $334,495). To ensure that the Company continues to be a going concern over the next twelve months a new commission-based sales network in North America has been established to generate recurring revenue.

The Company's ultimate success and the recoverability of its assets will depend on the Company's ability to successfully execute its business plan which includes a growing market for its products, achieving profitable operations, meeting its business acquisition obligations, the continued support of the Company's shareholders and employees, and the continued support from creditors with whom negotiations have been made and waivers obtained.

Management is aware, in making its assessment, that these material uncertainties are related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities which may be required should the Company be unable to raise adequate financing or meet current obligations and therefore be unable to continue as a going concern.

2. Significant Accounting Policies

Basis of Presentation and Statement of Compliance

The condensed consolidated interim financial statements of the Company for the three month ended March 31, 2018 comprise the Company and its subsidiaries. These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 34, Interim Financial Reporting. They do not include all the necessary annual disclosures as prescribed by International Financial Reporting Standards and should be read in conjunction with the annual audited consolidated financial statements as of December 31, 2017.

The Company's condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 15, and are presented in Canadian dollars except where otherwise indicated.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. It also requires management to exercise judgement in applying the Company's accounting policies. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The determination of sales and related costs used in the cash flow projections for the purpose of assessing the carrying amount of the intangible assets.

Critical judgments in applying the Company's accounting policies relate to, but are not limited to, the following:

- Useful lives of intangible assets with finite lives – the determination that there are no indicators suggesting that the useful lives and/or that the method of calculating amortization require revision;
- Unlimited life of the ESM brand – the determination that useful life of the ESM brand remains unlimited;
- Impairment of intangible assets – the determination that there are no indicators of impairment indicating that the carrying amount exceeds the recoverable amount;
- Analysis of the functional currency for each entity of the Company; and
- Ability to continue as a going concern – the determination that the Company will continue as a going concern for the next year.

Basis of Consolidation

The Company consolidates subsidiaries controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Smartcool USA, Smartcool International and Lenten Street. They also include the accounts of Smartcool EMEA from April 2008 and Smartcool UK from February, 2011, until they were discontinued through voluntary liquidation in September 2014. All inter-company transactions, balances, revenues and expenses, have been eliminated. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies, in all material aspects.

Revenue Recognition

Revenue from the sale and installation of the ESM™ and ECO3™ is recognized when the ESM™ and ECO3™ have been installed, significant risks and rewards of ownership of the equipment have been transferred to the customer, the Company does not retain continuing managerial involvement or effective control over the equipment, the sales price can be determined and collection is probable, and the cost of the transaction can be measured reliably.

Revenue from the international distribution of the ESM™ and ECO3™ is recognized when the equipment has been shipped, title has been transferred, the sales price has been determined and the cost of the equipment can be measured reliably. Revenue is also recognized when equipment has been ordered and laid away as instructed by the customer, the sales price has been determined and a significant portion of it has been paid. Provisions are established for estimated warranty costs at the time revenue is recognized. The Company records deferred revenue when cash is received in advance of the above revenue recognition criteria being met.

Share-based Payments

The fair value of all stock options granted to employees is determined using the Black-Scholes Option Pricing Model, and the resulting value is charged to operations over the vesting period. Volatility rate is determined based on the trading history of the Company's shares for the relevant period and interest rate is based on Canadian bond rates.

The fair value of options granted to non-employees is determined using the fair value of the goods or services received. The resulting value is charged to operations when a performance commitment is made or the options are fully vested and non-forfeitable, whichever is earliest, and the expense is recognized over the period in which the goods or services from the non-employees are received. To estimate the fair value of options granted to non-employees, management considers primarily the fees management would be willing to pay in cash for the service if no options were granted.

A corresponding increase in equity, the reserve for equity settled share-based transactions, is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in the reserve is reversed. At the time of grant, the expense is determined based on estimated forfeiture rate. The expense will be adjusted to recognize the effect of actual forfeitures as they occur. The fair value of warrants issued to agents for their finder's fee is based on the fair value of the services provided and charged to share issuance costs.

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Intangible Assets

a. ***Research and development***

Research costs are expensed as incurred. Development costs are expensed as incurred unless they can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use the asset.

b. ***Goodwill***

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized in the statement of operations.

c. ***Other intangible assets***

Intangible assets are recorded at cost and include the ESM™ brand, ESM™ intellectual property, distribution rights, distribution agreements, supplier agreements and customer relationships. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The ESM™ brand has been determined to have an indefinite life and is not amortized. The remaining intangible assets with finite lives are amortized on a straight-line basis. The useful lives of the intangible assets have been assessed as follows:

Intellectual property - ESM™	13.5 years
Intellectual property - SmartACR	10 years
Distribution rights - North American	10 years
Distribution rights - TECC and United Kingdom	9.5 - 12 years
Distribution agreements	13.5 - 15 years
Supplier agreements	13.5 years
Customer relationship	12 years

Residual value and estimated useful lives are reviewed on a periodic basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Impairment

a. *Property, equipment and intangible assets with a finite useful life*

Property, equipment and intangible assets with a finite life are assessed for indications of impairment at the end of each reporting period. If such indications exist, then the recoverable amount of the asset or cash-generating unit ("CGU") is estimated.

An impairment loss is recognized when the carrying amount of the asset or CGU exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU 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 risks specific to the asset or CGU.

Impairment losses recognized in respect to CGU's are first allocated to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. Impairment losses are recognized in profit or loss for the period they are identified.

b. *Intangible assets with an indefinite useful life*

Intangible assets with an indefinite life are reviewed and tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The asset is written down when the carrying amount exceeds its recoverable amount. The ESM™ brand is considered to have an indefinite life as the Company has a global market and there is no direct competition for its instinctive green technology.

c. *Financial assets*

Financial assets, other than those at fair value through profit and loss ("FVTPL"), are assessed for indicators of impairment at each period end. Financial assets are 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 impacted.

Impairment of financial assets carried at amortized cost, is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade and other receivables, is directly reduced by the impairment loss. Uncollectible amounts in trade and other receivables are written off against the allowance account.

Available-for-sale financial assets are impaired if the cost (net of any principal payment and amortization) is greater than the current fair value, less any impairment previously recognized.

Reversal of Impairment

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 depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

For all other financial assets carried at amortized cost in which impairment was previously recognized, if subsequent measurement indicates that the recorded impairment has decreased, and the decrease can be related objectively to an event occurring after the impairment was recognized, then the reversal of the impairment is recognized in the statement of operations. On the date of the impairment reversal, the carrying value of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Financial Instruments

a. ***Financial assets***

The Company classifies its financial assets in the following categories: FVTPL, held to maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

i. **Financial assets at FVTPL**

Financial assets are classified as FVTPL when the financial asset is held for trading or is designated as FVTPL on initial recognition.

A financial asset is classified as held for trading when it is purchased and incurred with the intention of generating profits in the near term, part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking, or is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resulting gain or loss recognized in profit or loss. Transaction costs are expensed in the period in which the costs are incurred.

The Company's only financial asset classified as FVTPL is cash and cash equivalents.

Cash and cash equivalents consist of cash on deposit and highly liquid investments that are readily convertible into cash with maturities of three months or less when purchased. The Company did not hold any cash equivalents as at March 31, 2018 and December 31, 2017.

ii. Held to maturity investments

Held to maturity investments are measured at amortized cost using the effective interest rate method. Transaction costs are added and amortized to the statement of operations over the life of the financial instrument on an effective yield basis.

The Company classifies short-term investments of interest bearing term deposits with maturity dates of more than three months as held to maturity investments. Interest on these term deposits is recognized in the statement of operations using the effective interest method.

The Company did not hold any held-to-maturity investments as at March 31, 2018 and December 31, 2017.

iii. Available-for-sale financial assets

Financial assets classified as available-for-sale are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value (being unrealized gains or losses) recorded as a component of accumulated other comprehensive income. On disposal of, or if there is an other-than-temporary impairment of, an available for sale financial asset, the deferred cumulative amount included in accumulated other comprehensive income relating to that particular financial asset is recognized in gain or loss in the statement of operations.

iv. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.
The Company classifies trade and other receivables as loans and receivables.

v. Derecognition of financial assets

A financial asset is derecognized when the contractual right to the asset's cash flows expires or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

b. *Financial Liabilities*

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

i. Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost, with any resulting premium or discount from the face value being amortized to income or expense using the effective interest method.

The Company classifies trade payables and accruals, loans and advances, obligations under acquisition contracts and debentures as other financial liabilities.

ii. **Derecognition of financial liabilities**
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or expired. A substantial modification of the terms of a financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Share Purchase Warrants

The Company issues common shares and share purchase warrants as a unit as well as units of debenture and share purchase warrants. The unit price is allocated to common shares and warrants based on their relative fair values. The residual method is used to allocate the value of debentures and warrants. The fair value of common shares is the market price on the date of issue and the fair value of warrants is determined using the Black-Scholes Option Pricing Model. Because the Black-Scholes Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

The Company also issues warrants to agents as compensation for services. The fair value of these warrants is determined to be the difference between agent's standard all-cash compensation and compensation with warrants. Warrants are also issued as non-cash consideration for business acquisitions. The fair value of these warrants is determined based on Black-Scholes Option Pricing Model.

Changes in Accounting Policies

As of January 1, 2018, the Company is in the process of adopting the following IFRS standards and amendments:

Standard	Title
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers

Accounting Standards Issued but not yet Effective

At the date of authorization of these consolidated financial statements, the IASB and IFRIC have issued new and revised standards and amendments which are not yet effective. Below is a list of new standards that are likely to be relevant to the Company. However, management has yet to assess the impact of these standards on the Company's operations:

Standard	Title	Applicable for financial years beginning on/after
IFRS 16	Leases	January 1, 2019

3. Trade Receivables

	March 31, 2018	December 31, 2017
Trade receivables, net of allowances for doubtful accounts	$ 644,530	$ 425,681
Other receivables	14,700	20,059
	659,230	445,740
Current portion	(525,007)	(311,517)
Long-term portion	**$ 134,223**	**$ 134,223**

As at March 31, 2018, the allowance for doubtful accounts was $96,033 (US$74,479) (2017 - $156,539).

Other receivables includes $5,000 (2016 - $5,000) from the former President of the Company relating to an advance for travel expenses.

As at March 31, 2018, the analysis of trade receivables that were past due but not impaired is as follows:

	March 31, 2018	December 31, 2017
Neither past due nor impaired (*)	$43,030	$ 234,476
<30 days	-	63,111
30-60 days	(5,692)	33,497
60-90 days	-	3,052
90-120 days	199,791	5,536
> 120 days	407,401	86,009
	$ 644,530	**$ 425,681**

In determining the recoverability of a trade or other receivable, the Company performs a risk analysis considering the type and age of the outstanding receivable, as well as the Company's exposure to credit and currency risks as disclosed in note 15.

(*) This balance represents the funded sales instalment payments that are due in 2018, 2019 and 2020.

4. Inventory

	March 31, 2018	December 31, 2017
ESM™ ECO3™	$186,827	$ 119,361
Other products	53,275	105,000
	$ 240,102	**$224,361**

5. Intangible Assets

Indefinite Lives

As at March 31, 2018, ESM™ brand (b) had a carrying value of $56,100 (December 31, 2017 - $56,100) and is not subject to amortization due to having an indefinite useful life.

Definite Lives

Cost

	North American distribution rights	Intellectual property	Distribution agreements	Supplier agreements	EMEA & UK distribution rights	Customer relationship	Total
Balance at January 1, 2016	**$ 327,020**	**$149,100**	**$1,861,742**	**$113,651**	**$5,152,218**	**$1,211,369**	**$8,815,100**
Effect of change in foreign exchange rates	(7,434)	-	-	-	-	-	(7,434)
Balance at December 31, 2016	**319,586**	**149,100**	**1,861,742**	**113,651**	**5,152,218**	**1,211,369**	**8,807,666**
Effect of change in foreign exchange rates	(15,875)	-	-	-	-	-	(15,875)
Balance at December 31, 2017	**$ 303,711**	**$149,100**	**$ 1,861,742**	**$113,651**	**$5,152,218**	**$1,211,369**	**$ 8,791,791**
Effect of change in foreign exchange rates	6,282	-	-	-	-	-	6,282
Balance at March 31, 2018	**$ 309,993**	**$149,100**	**$ 1,861,742**	**$113,651**	**$5,152,218**	**$1,211,369**	**$8,798,073**

Accumulated Amortization and Impairment

	North American distribution rights	Intellectual property	Distribution agreements	Supplier agreements	EMEA & UK distribution rights	Customer relationship	Total
Balance at January 1, 2016	**$327,020**	**$101,365**	**$1,518,733**	**$90,923**	**$4,133,569**	**$1,006,623**	**$7,178,233**
Amortization	-	8,708	119,812	5,684	365,056	51,188	550,448
Effect of change in foreign exchange rate	(7,434)	-	-	-	-	-	(7,434)
Balance at December 31, 2016	**319,586**	**110,073**	**1,638,545**	**96,607**	**4,498,625**	**1,057,811**	**7,721,247**
Amortization	-	8,708	119,812	5,684	365,056	51,188	550,448
Effect of change in foreign exchange rate	(15,875)	-	-	-	-	-	(15,875)
Balance at December 31, 2017	**$303,711**	**$118,781**	**$ 1,758,357**	**$ 102,291**	**$4,863,681**	**$ 1,108,999**	**$8,255,820**
Amortization	-	2,177	29,953	1,421	73,711	12,797	120,059
Effect of change in foreign exchange rate	6,282	-	-	-	-	-	6,282
Balance at March 31, 2018	**$309,993**	**$120,958**	**$1,788,310**	**$103,712**	**$4,937,392**	**$1,121,796**	**$8,382,161**

Carrying Value

	North American distribution rights	Intellectual property	Distribution agreements	Supplier agreements	EMEA & UK distribution rights	Customer relationship	Total
Balance at January 1, 2016	$ -	$47,735	$343,009	$22,728	$1,018,649	$204,746	$1,636,867
Balance at December 31, 2016	$ -	$39,027	$223,197	$17,044	$653,593	$153,558	$1,086,419
Balance at December 31, 2017	$ -	**$30,319**	**$103,385**	**$11,360**	**$288,537**	**$102,370**	**$535,971**
Balance at March 31, 2018	$ -	**$28,142**	**$73,432**	**$9,939**	**$214,826**	**$89,573**	**$415,912**

a. *ESM™ Intellectual Property and worldwide distribution rights*

The Company acquired intangible assets in relation to the acquisition of Abbotly Technologies Inc. in March 2006.

b. *Distribution Rights from TECC Services*

In July 2008, the Company acquired the exclusive rights to distribute the ESM™ in the United Kingdom, Spain, Portugal, and the Middle East from T.E.C.C. Services Ltd. (“TECC”) (note 7).

c. *Intangible Assets from Smartcool UK*

In February 2011, the Company acquired intangible assets in relation to the acquisition of Smartcool UK. These intangible assets include the distribution rights of the ESM™ in the United Kingdom, the distribution right related to sales to a major customer and a customer relationship.

d. ***SmartACR Intellectual Property and Customer Relationship***
In February 2015, the Company acquired $25,000 of intangible assets in relation to the termination of a license agreement (note 10ai). These intangible assets included intellectual property ($25,000) and a customer relationship ($Nil).

Recoverable amount has been determined based on value in use. Management's cash flow projections are based on a discount rate of 16% (3% risk free rate plus an adjustment for risk factors), a growth rate of 0% applied to the financial budget for 2018 approved by management and based on historical gross margins, for a period of five years. Management has also considered the anticipated impact of the license agreement with Restovate Ltd. and the agency agreement with CoolSave Limited (note 13).

6. Loans and Advances

Advances

To finance its operations, the Company has received advances from investors:

1. During 2015 and 2016, the Company received advances totaling $320,000 from an investor. These advances bore interest at 1% per month. On September 22, 2017 the Company entered into a shares-for-debt agreement with this investor and on October 17, 2017, the Company issued 7,891,774 common shares at a deemed price of $0.05 per share to settle debt of $394,589. The statutory hold period expired on February 18, 2018 (note 10axiv).

2. In September 2016, the Company received an advance of $46,368 (US $35,000) from an investor. This advance is secured by a promissory note and bears interest at 2% per month (1% from September 27, 2016 to November 27, 2016).

3. In November 2016, the Company received an advance of $20,000 from an investor. This advance bore interest of $4,000 from November 22, 2016 to March 22, 2017. This advance plus $4,800 in interest was repaid on May 23, 2017.

4. In December 2016, the Company received another advance of $20,000 from the investor in 3. This advance was non-interest bearing and was repaid on February 23, 2017.

5. On July 31, 2017, the Company received an advance of $25,000 from a director of the Company. This advance is secured by a promissory note, bears interest at 1% per month and is due on demand.

These advances are summarized as follows:

	Repayment Date	Funds Advanced	Accrued Interest	Foreign Exchange	Balance
Loan 2	November 27, 2016	46,368	15,490	(1,264)	60,594
Loan 5	On demand	25,000	2,000	-	27,000
		$71,368	$17,490	($1,264)	$87,594

At March 31, 2018, the carrying amount of these advances was as follows:

Balance, January 1, 2016	**276,450**
Funds advanced	134,368
Discount, beginning prepaid interest withheld	2,000
Accrued interest	45,543
Foreign exchange	628
Balance, December 31, 2016	**$458,989**
Principal payment	(40,000)
Interest payment	(4,800)
Accrued interest	41,428
Funds advanced	25,000
Shares-for-debt settlement	(394,589)
Foreign exchange	(3,459)
Balance, December 31, 2017	**$82,569**
Accrued interest	3,458
Foreign exchange	1,567
Balance, March 31, 2018	**$87,594**

The interest charged during the three months ended March 31, 2018 was $3,458 (March 31, 2017 - $4,352.98) and is recorded within finance expense in the statement of operations.

7. Obligations Under Acquisition Contracts

TECC Services

In July 2008, the Company acquired the exclusive rights to distribute the ESM™ in the United Kingdom, Spain, Portugal, and the Middle East from TECC. Consideration of $1,738,750 (£1,035,000) was payable in cash and $532,067 (£265,000) was payable in common shares of the Company. As at December 10, 2013, the balance of $886,714 (£508,217), including accrued interest of $145,181 (£83,217), was outstanding. The Company negotiated a debt reduction and the outstanding obligation was extinguished and replaced with two new obligations (TECC 1 and TECC 2). The fair values of TECC 1 and TECC 2 were determined by discounting the future payments at 16%.

Smartcool UK

In February 2011, the Company acquired the business of Smartcool UK for total cash consideration of $4,410,745 (£2,840,438) and some non-cash consideration (note 6). As at December 10, 2013, the principal balance of $1,744,600 (£1,000,000), including accrued interest of $285,274 (£163,517), was outstanding. The Company negotiated a debt reduction and the outstanding obligation was extinguished and replaced with two new obligations (UK 1 and UK 2). The fair values of UK 1 and UK 2 were determined by discounting the future payments at 10%.

These obligations are being accreted to their face value over their term. The accretion charge for the period is recorded within finance expense in the statement of operations.

These obligations are to be repaid as follows:

- £130,000 ($220,493) in five instalments of £26,000 on December 15, 2014 and June 15, 2015, 2016, 2017 and 2018;
- £76,000 ($128,904) in five instalments of £19,000 on December 15, 2015, 2016, 2017 and 2018; and
- £25,000 ($42,403) in 2017.

£206,000 ($349,397) of this debt is secured by non-interest bearing promissory notes and £25,000 ($42,403) is unsecured. These balances may be repaid at any time or from time-to-time without notice, bonus or penalty. Because the Company failed to make payments for UK 1 as required, the Company is obligated to pay the creditor, at the discretion of the creditor, an amount equal to £1,300,000 minus any payments made. To date, the creditor has not requested payment of this amount.

At March 31, 2018, the carrying amount of these obligations under acquisition contracts was as follows:

	TECC 1	TECC 2	UK 1	UK 2	Total
Balance, January 1, 2015	**$234,265**	**$85,739**	**$51,018**	**$43,507**	**$414,529**
Accretion	14,336	8,002	-	2,613	24,951
Foreign exchange	(44,881)	(16,525)	(9,608)	(8,317)	(79,331)
Balance, December 31, 2016	**$203,720**	**$77,216**	**$41,410**	**$37,803**	**$360,149**
Accretion	8,787	5,488	-	1,750	16,025
Foreign exchange	4,968	1,901	993	922	8,784
Balance, December 31, 2017	**$217,475**	**$84,605**	**$42,403**	**$40,475**	**$384,958**
Accretion	1,754	810	-	252	2,816
Foreign exchange	14,681	5,712	2,863	2,732	25,988
Balance, March 31, 2018	**$233,910**	**$91,127**	**$45,266**	**$43,459**	**$413,762**
Current portion	233,910	91,127	45,266	43,459	413,762
Long-term portion	**$-**	**$-**	**$-**	**$-**	**$-**

Principal	$235,378	$ 93,427	$45,266	$ 44,179	$ 418,250
Future accretion	(1,468)	(2,300)	(-)	(720)	(4,488)
Carrying amount	$ 233,910	$ 91,127	$45,266	$ 43,459	$413,762

8. Receivables/Debt Settlement

a. In February 2015, the Company received 810,520 common shares of ATI Airtest Technologies Inc. at a deemed price of $0.05 to settle outstanding trade receivables of US$15,975 and CDN$25,000. This settlement resulted in a loss of $4,456 which was recognized in the statement of operations. The shares were classified as available-for-sale financial assets.

   During 2016, 400,000 shares were disposed of for proceeds of $16,095, resulting in a realized loss of $3,905. On December 31, 2016, the market value of the remaining 410,520 shares was $8,210.

   During 2017, the remaining shares were disposed of for proceeds of $10,993, resulting in a realized loss of $9,533.

b. On October 17, 2017, the Company issued 7,891,774 common shares at a deemed price of $0.05 per share to settle an outstanding advance plus accrued interest totaling $394,589 (note 6(1)).

9. Debentures

Refinanced debentures

There were 71 debenture units outstanding at maturity on March 1, 2015. The Company was unable to redeem them or make interest payments as scheduled. The Company approached the debenture holders with an offer to extend the maturity date of the debentures to March 31, 2016, with the outstanding principal plus accrued interest becoming the new principal balance. Two debenture holders (representing 9 units) with an outstanding balance totaling $31,116 did not agree to extend the terms of their debentures. 12 debenture holders (representing 62 units) with an outstanding balance totaling $238,546 agreed to extend the terms of their debentures. Pursuant to the terms and conditions of the debenture extension agreement, the debentures are unsecured and interest on the principal balance outstanding shall accrue at the rate of 12% per annum and is payable monthly, commencing April 1, 2015. A principal pre-payment amount (not-defined) was due on September 30, 2015. The Company also issued 238,546 share purchase warrants to the debenture holders.

The terms and conditions of the refinanced debentures were not significantly different from the original terms and conditions and no gain or loss on debt extension was recognized. The refinanced principal balance of $238,546 was allocated between the fair values of the liability component ($216,231) and the equity component relating to the share purchase warrants ($22,315) using the residual method. The liability component is measured at amortized cost. The $22,315 was credited to the reserve for equity settled share-based transactions.

In November 2016, the Company and 5 debenture holders (representing 35 units) with an outstanding balance totaling $159,785 entered into an amending agreement whereby the maturity date was extended to March 31, 2017 and a General Security Agreement over the assets of the Company was granted to these debtors. These debentures were redeemed in 2017.

The Company was unable to redeem the remaining debentures. As at December 31, 2017, the outstanding balance of these refinanced debentures was $103,409 comprised of principal of $81,893 and accrued interest of $21,516.

During the three months ended March 31, 2018, accrued interest expense was $2,457 (March 2017 - $7,348) and interest payments were $nil (March 2017 - $28,854). The interest charge is recorded within finance expense in the statement of operations.

Debentures issued in 2017

In November 2017, the Company issued 572 Units for gross proceeds of $572,000 to fund the funded sales program introduced by the Company in August 2017 (notes 2 **(Revenue Recognition)** and 10(a)(xiii). Each Unit is comprised of one 8% unsecured, non-convertible, non-transferrable debenture and 1,000 common shares of the Company. These debentures have a maturity date of December 31, 2020. The annual interest of 8% is payable monthly.

The net proceeds of $514,800 was allocated between the fair values of the liability component ($498,664) and the equity component relating to the common shares ($16,136) using the residual method. The liability component is measured at amortized cost. $16,136 was credited to share capital.

During the three months ended March 31, 2018, the interest accrued for the year was $16,343 (March 2017 - $Nil) and is recorded within finance expense in the statement of operations.

At March 31, 2018, the carrying amount of the debentures was as follows:

Maturity date	March 1, 2015	March 31, 2016	March 31, 2017	December 31, 2020	Total
Balance, December 31, 2015	**$16,557**	**$238,150**	**$-**	**$-**	**$254,707**
Amended debentures	-	(159,785)	159,785	-	-
Accrued interest	1,814	14,910	18,798	-	35,522
Interest payments	-	(917)	-	-	(917)
Principal payments	-	(8,738)	-	-	(8,738)
Balance, December 31, 2016	**$18,371**	**$83,620**	**$178,583**	**$-**	**$280,574**
Debentures issued	-	-	-	498,664	498,664
Accrued interest	1,400	8,779	8,616	8,110	26,905
Interest payments	(2,382)	-	(30,547)	(2,405)	(35,334)
Principal payments	(6,379)	-	(156,652)	-	(163,031)
Balance, December 31, 2017	**$11,010**	**$92,399**	**$-**	**$504,369**	**$607,778**
Accrued interest	262	2,195	-	16,343	18,800
Interest payments	-	-	-	-	-
Balance, March 31, 2018	**$11,272**	**$94,594**	**$-**	**$520,712**	**$626,578**
Current portion	**$11,272**	**$94,594**	**$-**	**43,329**	**$149,195**
Long-term portion	**$-**	**$-**	**$-**	**477,383**	**$477,383**

Maturity date	March 1, 2015	March 31, 2016	March 31, 2017	December 31, 2020	Total
Principal	$8,738	$73,155	$ -	498,664	$580,557
Accrued interest	2,534	21,439	-	22,048	46,021
Balance owing and carrying amount	$ 11,272	$ 94,594	$ -	520,712	$626,578

10. Issued Capital and Equity Reserve

Authorized

Unlimited common shares without par value
100,000,000 Class A preferred shares
100,000,000 Class B preferred shares

On November 17, 2017, the authorized share capital of the Company was altered by creating an unlimited number of non-voting, non-transferable Series A preferred shares (the "SA shares"). The issue price for the SA shares is determined by the directors of the Company when the shares are authorized for issuance. The SA shares have the following additional rights attached to them:

- Dividends – SA shareholders are entitled to receive a fixed, preferential, cumulative dividend at the rate of 8% per annum of the initial issue amount. Dividends will accrue until conversion or exchange or in the event of a liquidation distribution (as defined). Dividends on SA shares are on an equal basis with any other series of preferred shares (other than those ranked junior to the SA shares) and are in priority to other classes of shares;
- Liquidation, Dissolution or Winding-Up – in the event of any distribution of the assets of the Company on the liquidation, dissolution or winding-up of the Company or upon the distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, the SA shareholders are entitled to a preferred return of the initial issue price plus any accrued, cumulative dividends before the common shareholders are entitled to receive any return; and
- Conversion – at any time between the second and third anniversaries of the date of issuance of the SA shares, outstanding SA shares may be converted at the option of the holder and on the third anniversary they will automatically be converted into common shares based on the specified formula at a minimum conversion price of $0.10 per common share. If the Company anticipates the occurrence of a liquidity event (as defined), between the issue date and the second anniversary, it shall give written notice to the SA shareholders specifying the exchange period during which they may elect to exchange their Series A shares for common shares of Smartcool USA at the specified conversion ratio.

a. *Issued common shares*

	Shares	Amount
Balance, January 1, 2016	**122,097,737**	**$31,672,684**
Warrants exercised – pending in 2015	545,000	27,250
Issued – pending in 2015 (i)	500,000	25,000
Reclassification of fair value of exercised warrants	-	4,387
Issued via private placements (ii)(iii)(iv)(v)	18,200,000	383,017
Cancelled (vi)	(500,000)	(16,642)
Share issuance costs (ii)(iii)(iv)(v)	-	(13,834)
Balance, December 31, 2016	**140,842,737**	**$32,081,862**
Issued via private placements (vii)(ix)(x)	44,666,666	764,509
Issued via private placement (debenture offering) (xiii)	572,000	16,136
Issued with debentures and not cancelled (xv)	13,000	-
Issued for debt settlement (xiv)	7,891,774	394,589
Warrants exercised (xii)	1,450,000	72,500
Agents warrants exercised (xi)	487,200	14,616
Share issuance costs (vii)(ix)	-	(41,149)
Warrant amendment (viii)	-	(439,403)
Balance, December 31, 2017	**195,923,377**	**$32,863,660**
Warrants exercised (xvi)	4,770,000	238,500
Share issuance costs (xvi)	-	(433)
Balance, March 31, 2018	**200,693,377**	**$33,101,727**

i. On February 15, 2016, the Company issued 500,000 common shares at a deemed price of $0.05 per share to SmartACR pursuant to a license termination agreement (note 10).

ii. On May 5, 2016, the Company issued 6,600,000 Units at $0.025 per unit pursuant to the first tranche of a non-brokered private placement for gross proceeds of $165,000. Of this amount, $136,793 was allocated to share capital and $28,207 to share purchase warrants (note 9(c)(i)). Each Unit consists of one common share and one warrant. Cash issuance costs of $4,026 and agent warrant issuance costs of $800 for 128,000 agent warrants issued were allocated to common shares.

iii. On June 21, 2016, the Company issued 5,400,000 Units at $0.025 per unit pursuant to the second tranche of a non-brokered private placement for gross proceeds of $135,000. Of this amount, $111,922 was allocated to share capital and $23,078 to share purchase warrants (note 9(c)(ii)). Each Unit consists of one common share and one warrant. Cash issuance costs of $6,150 were allocated to common shares.

iv. On September 19, 2016, the Company issued 5,400,000 Units at $0.025 per unit pursuant to the first tranche of a non-brokered private placement for gross proceeds of $135,000. Of this amount, $116,973 was allocated to share capital and $18,027 to share purchase warrants (note 9(c)(iii)). Each Unit consists of one common share and one warrant. Cash issuance costs of $2,489 were allocated to common shares.

v. On September 29, 2016, the Company issued 800,000 Units at $0.025 per unit pursuant to the second tranche of a non-brokered private placement for gross proceeds of $20,000. Of this amount, $17,329 was allocated to share capital and $2,671 to share purchase warrants (note 11(c)(iv)). Each Unit consists of one common share and one warrant. Cash issuance costs of $369 were allocated to common shares.

vi. On September 28, 2016, 500,000 shares were cancelled and returned to treasury because the outstanding proceeds of $25,000 had not been received. Of this amount, $16,642 was allocated to share capital and $8,358 to share purchase warrants.

vii. On March 15, 2017, the Company issued 20,000,000 Units at $0.02 per unit pursuant to a non-brokered private placement for gross proceeds of $400,000. Of this amount, $255,400 was allocated to share capital and $144,600 to share purchase warrants (note 9(c)(v)). Each Unit consists of one common share and one warrant. Cash issuance costs of $6,064 and agent warrant issuance costs of $794 for 248,000 agent warrants issued were allocated to common shares.

viii. On February 3, 2017, the Company amended the expiry dates and exercise prices of certain warrants. The fair value of these warrants increased by $399,215 as a result. Share purchase warrants increased accordingly and Share capital decreased by the same amount. See note 9(c)(vi).

ix. On June 30, 2017, the Company issued 13,374,066 Units at $0.03 per unit pursuant to the first tranche of a non-brokered private placement for gross proceeds of $401,222. On July 7, 2017, the Company issued 3,292,600 Units at $0.03 per unit pursuant to the second tranche of the non-brokered private placement for gross proceeds of $98,778. Of these amounts, $274,390 was allocated to share capital and $225,610 to share purchase warrants. Each unit consists of one common share and one share purchase warrant exercisable at $0.05 per warrant share for five years after closing. Cash issuance costs of $11,024 and agent warrant issuance costs of $2,667 for 487,200 agent warrants issued were allocated to common shares.

x. On September 1, 2017, the Company issued 5,800,000 Units at $0.05 per unit pursuant to the first tranche of a non-brokered private placement for gross proceeds of $290,000. On September 8, 2017, the Company issued 2,200,000 Units at $0.05 per unit pursuant to the second tranche of the non-brokered private placement for gross proceeds of $110,000. Of these amounts, $240,119 was allocated to share capital and $159,881 to share purchase warrants. Each unit consists of one common share and one share purchase warrant exercisable at $0.07 per warrant share for two years after closing. Cash issuance costs of $15,857 and agent warrant issuance costs of $1,769 for 232,000 agent warrants issued were allocated to common shares.

xi. In August 2017, 487,200 agent warrants were exercised at the price of $0.03 for gross proceeds of $14,616 and an equivalent number of common shares were issued.

xii. From September to November 2017, 1,450,000 warrants were exercised at the price of $0.05 for gross proceeds of $72,500 and an equivalent number of common shares were issued.

xiii. In November 2017, the Company issued 572 Units for gross proceeds of $572,000. Each Unit is comprised of one 8% unsecured, non-convertible, non-transferrable debenture and 1,000 common shares of the Company. The net proceeds $514,800 was allocated between the fair values of the liability component ($498,664) and the equity component relating to the common shares ($16,136) using the residual method (notes 2 (**Revenue Recognition**) and 9).

xiv. On October 17, 2017, the Company issued 7,891,774 common shares at a deemed price of $0.05 per share to settle advances of $394,589 from an investor (note 6(1)). Cash issuance costs of $2,473 were incurred and allocated to common shares.

xv. 13,000 shares issued in relation to the securities offering in November 2017 were returned and not cancelled.

xvi. From January to March 2018, 4,770,000 warrants were exercised at the price of $0.05 for gross proceeds of $238,500 and an equivalent number of common shares were issued. Cash issuance costs of $433 were allocated to shares.

b. ***Stock options***

Under the Company's stock option plan, the Company may grant stock options to employees, directors, officers and consultants. The maximum number of shares to be awarded under the plan is 23,885,547, as approved by the shareholders at the Company's 2015 Annual General Meeting. In 2010, the stock option plan was amended to extend the option term to a maximum period of ten years.

As at March 31, 2018, 19,470,000 options were outstanding. These options have vesting period of 5 years and a weighted average exercise price of $0.05. A summary of the Company's stock option activity for employees, directors, officers and consultants is as follows:

	Number of share options	Weighted average exercise price
Balance, January 1, 2016	**12,415,000**	**$0.05**
Granted	75,000	0.05
Expired or exercised	(545,000)	0.10
Balance, December 31, 2016	**11,945,000**	**$0.05**
Granted	12,575,000	0.05
Expired or exercised	(2,050,000)	0.06
Balance, December 31, 2017	**22,470,000**	**0.06**
Expired or exercised	(3,000,000)	0.05
Balance, March 31, 2018	**19,470,000**	**$0.05**

During the three months ended March 31, 2018 and 2017, no options were granted.

Share-based payments for the three months was $49,004 (March 2017 - $184).

The Company used the Black-Scholes Option Pricing Model to determine the fair value of the options granted to employees and officers at the date of grant with the following assumptions:

	Three months ended March 31, 2018	Year ended 31 December 31, 2017
Risk-free interest rate	-	1.47%
Dividend yield	-	0%
Volatility	-	103.81%
Expected Life	-	5 years

The fair value of options granted to consultants was determined based on the cash consideration that would have been paid to acquire the consulting services.

c. *Share purchase warrants*

i. On March 15, 2017, the Company issued 20,000,000 Units at $0.02 per unit pursuant to a non-brokered private placement for gross proceeds of $400,000. Of this amount, $255,400 was allocated to share capital and $144,600 to share purchase warrants. Each Unit consists of one common share and one warrant. Cash issuance costs of $3,411 and agent warrant issuance costs of $446 for 248,000 agent warrants issued were allocated to warrants.

ii. On February 3, 2017, the Company amended the expiry dates and exercise prices of certain warrants, as follows:

Warrants	Grant date	Original expiry date	Amended expiry date	Original exercise price	Amended exercise price
9,455,000	January 28, 2015	January 28, 2017	January 28, 2020	$0.05	No change
11,280,000	May 4, 2015	May 4, 2017	May 4, 2020	$0.10	$0.05
6,600,000	May 5, 2016	May 5, 2017	May 5, 2021	$0.05	No change
5,400,000	June 21, 2016	June 21, 2017	June 21, 2021	$0.05	No change
5,400,000	September 19, 2016	September 19, 2017	September 19, 2021	$0.05	No change
800,000	September 29, 2016	September 29, 2017	September 29, 2021	$0.05	No change

The fair value of the amended warrants increased by $399,215, as a result. Share purchase warrants increased and Share capital decreased by this amount.

iii. On June 30, 2017, the Company issued 13,374,066 Units at $0.03 per unit pursuant to the first tranche of a non-brokered private placement for gross proceeds of $401,222. On July 7, 2017, the Company issued 3,292,600 Units at $0.03 per unit pursuant to the second tranche of the non-brokered private placement for gross proceeds of $98,778. Of these amounts, $274,390 was allocated to share capital and $225,610 to share purchase warrants. Each unit consists of one common share and one share purchase warrant exercisable at $0.05 per warrant share for five years after closing. Cash issuance costs of $4,078 and agent warrant issuance costs of $987 for 487,200 agent warrants issued were allocated to warrants. Each agent warrant entitles the holder to purchase a Broker Unit for a price of $0.03 for two years after closing. Each Broker Unit consists of one common share and one share purchase warrant exercisable at $0.05 per warrant for five years after closing. On August 11, 2017, the Company issued 487,200 Broker Units after these agent warrants were exercised.

iv. On September 1, 2017, the Company issued 5,800,000 Units at $0.05 per unit pursuant to the first tranche of a non-brokered private placement for gross proceeds of $290,000. On September 8, 2017, the Company issued 2,200,000 Units at $0.05 per unit pursuant to the second tranche of the non-brokered private placement for gross proceeds of $110,000. Of these amounts, $240,119 was allocated to share capital and $159,881 to share purchase warrants. Each unit consists of one common share and one share purchase warrant exercisable at $0.07 per warrant share for two years after closing. Cash issuance costs of $8,559 and agent warrant issuance costs of $1,131 for 232,000 agent warrants issued were allocated to warrants. Each agent warrant entitles the holder to purchase a broker Unit for a price of $0.05 for two years after closing. A broker Unit consists of one common share and one share purchase warrant exercisable at $0.05 per warrant for five years after closing.

v. On November 7, 2017, the Company issued 656,000 agent warrants. Each agent warrant entitles the holder to purchase one common share for a price of $0.055 for two years after closing.

vi. On November 30, 2017, the Company issued 194,909 agent warrants. Each agent warrant entitles the holder to purchase one common share for a price of $0.055 for two year after closing.

As at March 31, 2018, there were 79,199,776 (December 31, 2017 – 83,969,776) outstanding warrants with a weighted average share price of $0.05 (December 31, 2017 - $0.05).

A summary of the Company's reserve for equity settled share-based transactions is as follows:

	Number of warrants	Weighted average share price
Balance, January 1, 2016	**28,800,546**	**$0.08**
Issued – private placements	18,200,000	0.05
Issued – agent warrants	128,000	0.05
Expired, exercised or cancelled	(3,953,546)	0.09
Balance, December 31, 2016	**43,175,000**	**$0.07**
Issued – private placements	44,666,666	0.05
Issued – agent warrants	1,818,110	0.05
Issued – agent unit warrants	487,200	0.05
Expired, exercised or cancelled	(6,177,200)	0.07
Balance, December 31, 2017	**83,969,776**	**$0.05**
Expired, exercised or cancelled	(4,770,000)	0.05
Balance, March 31, 2018	**79,199,776**	**$0.05**

Expiry date	Number of shares	Exercise price	Weighted average contractual life (years)
September 1, 2019	5,800,000	$0.07	1.42
September 1, 2019*	200,000	$0.05	1.42
September 8, 2019	2,200,000	$0.07	1.44
September 8, 2019*	32,000	$0.05	1.44
November 7, 2019*	656,000	$0.055	1.60
November 30, 2017*	194,909	$0.055	1.67
January 28, 2020	7,735,000	$0.05	1.83
March 15, 2020	18,848,000	$0.05	1.96
May 4, 2020	10,280,000	$0.05	2.09
May 5, 2021	6,400,000	$0.05	3.10
June 21, 2021	5,400,000	$0.05	3.23
September 19, 2021	5,400,000	$0.05	3.47
September 29, 2021	800,000	$0.05	3.50
June 30, 2022	11,474,067	$0.05	4.25
July 7, 2022	3,292,600	$0.05	4.27
August 21, 2022	487,200	$0.05	4.39
Balance, March 31, 2018	**79,199,776**	**$0.05**	**2.64**

*Agent warrants.

d. *Share purchase warrants*

In November and December 2017, $382,430 (USD 300,000) in stock subscriptions was received pursuant to three individual private placements. These subscriptions are for a total of 300,000 SA shares of the Company at a price of USD 1.00 per share.

11. Income Taxes

The Company's operations are conducted in a number of countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to net income or loss, tax assets and non-capital loss carry-forwards.

In assessing the ability to realize deferred tax assets, management considers whether it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. As management believes there is uncertainty regarding the realization of these deferred tax assets, they have been classified as unrecognized tax assets as at December 31, 2017.

At December 31, 2017, the Company has unused non-capital losses of approximately $23,769,000 available to offset taxable income of future years. The non-capital losses will expire as follows:

	Canada	International	USA	UK	Total
Tax rate	**26%**	**2.5%**	**40%**	**20%**	
2016	$1,023,014	$-	$-	$-	1,023,014
2027	1,732,657	-	1,183,808	-	2,916,465
2028	1,127,657	-	2,044,298	-	3,171,955
2029	2,501,267	-	1,043,784	-	3,545,051
2030	910,879	-	1,030,508	-	1,941,387
2031	786,254	-	569,076	-	1,355,330
2032	400,145	-	220,852	-	620,997
2033	189,678	-	87,639	-	277,317
2034	3,775,936	1,518,362	-	-	5,294,298
2035	371,521	-	-	147,886	519,407
2036	1,034,838	240,459	46,393	184,307	1,505,997
2037	1,216,329	240,459	81,693	59,393	1,597,874
	$15,070,175	**$1,999,280**	**$6,308,051**	**$391,586**	**$23,769,092**

Deferred Tax Liabilities

The Company recorded deferred tax liabilities of $1,078,565 as a result of the acquisition of Smartcool UK assets in February 2011. As at March 31, 2018, the deferred tax liability was $87,945 (December 31, 2017 - $100,641).

12. Segmented Information

The Company installs, distributes, markets and sells the ECO3 and ESM™ products and peripherals.

The Company operates in one segment. Revenue was derived from customers located in the following geographical regions:

	March 31, 2018		March 31, 2017	
	Amount	**%**	**Amount**	**%**
Americas	$ 74,096	24	$ 12,487	15
Europe, Middle East, Africa	240,267	76	73,470	85
Total revenue	**$ 314,363**	**100**	**$ 85,957**	**100**

Revenue per region was determined based on the location of the customer or their billing address.

Property and equipment are located in:

	March 31, 2018		December 31, 2017	
	Amount	**%**	**Amount**	**%**
Americas	$ 2,369	64	$ 2,014	62
Europe, Middle East, Africa	1,334	36	1,249	38
Total revenue	**$ 3,703**	**100**	**$ 3,263**	**100**

13. Commitments

Consulting Agreements

In December 2014, the Company entered into a consulting agreement with Maxwell Mercantile Inc., an independent contractor, effective January 1, 2015. The contractor will provide management services to Smartcool in the role of Chief Executive Officer for a monthly fee of $15,000. He is entitled to receive an annual bonus equal to 5% of all sales revenue in excess of $1,500,000 per fiscal year or 10% of EBITDA (earnings before interest, taxes, depreciation and amortization) in excess of $300,000 per fiscal year, whichever is greater. The agreement has a twelve month-term with automatic renewals of additional twelve month terms unless either party gives 60 days written notice to the other of its intention not to renew. This agreement may be terminated by the Company upon payment of a termination fee of 12 times the monthly fee.

On April 1, 2015, the Company, through Smartcool USA, entered into a consulting agreement with Sand Dollar Management Inc., an independent contractor. The contractor is providing general management of the direct sale and installation of products to customer sites located in California, USA. The contractor will receive a monthly consulting fee equal to the lesser of 20% of gross revenues (as defined) and 40% of gross profits of the business unit (as defined). Pursuant to the agreement, the contractor was granted 2,000,000 stock options. These options vest in four equal instalments of 500,000 commencing on the date of grant and then six, 12 and 18 months thereafter. The agreement has a three-year term with automatic renewals of additional three-year terms unless either party gives 30 days written notice to the other of its intention not to renew. In the event that a change of control occurs and the Company terminates the agreement for any reason other than for cause, the Company must pay a lump sum termination fee equal to the amount of the consulting fee earned by the contractor during the 12 month period immediately preceding the date of termination

On May 1, 2017, the Company entered into a consulting agreement with FronTier Consulting Ltd., an independent contractor. The contractor provides financial market advisory services to raise awareness of the Company's stock and to generate private placement opportunities for a fee of $87,000. Pursuant to the agreement, the contractor was granted an option to purchase 400,000 shares of the Company at an exercise price of $0.05 per common share. The agreement has a 12-month term. Either party can terminate the agreement by providing 30 days written notice to the other.

On June 15, 2017, the Company entered into a finance services agreement with Ascenta Finance Corp. ("Ascenta"). Ascenta provides corporate finance services for an agent's fee payable on the closing date of a financing or corporate opportunity (as defined). The agent's fee on a financing is 8% of the value attributable to introduced parties and a stock option grant equal to 8% of the securities issued to the introduced parties. The agent's fee on a corporate opportunity is 10% of the first $300,000 in value, 7.5% from $300,000 to $1,000,000 in value and 5% of the balance and any other fee agreed to by the parties, payable in cash, securities of the Company or any combination thereof. If an introduced party, within two years of the closing of a financing or corporate opportunity, participates in a subsequent financing or corporate opportunity, the same agent's fees apply. Agent's fees are paid to Ascenta prior to the proceeds being released to the Company. Either party can terminate the agreement by providing written notice to the other before the closing date.

On August 10, 2017, the Company entered into a consulting agreement with Caribbean Consulting Partners, LLC, an independent contractor. The contractor provides market research and analysis services as requested by the CEO for a fee of $135,000. The agreement has a 12-month term. Either party can terminate the agreement by providing 30 days written notice to the other.

On February 15, 2018, the Company entered into a license agreement (the "LA") with Restovate Ltd., a private company in Ontario, Canada, to use certain Licensed Marks (as defined) on an international, worldwide basis (Note 5). Pursuant to the LA, the Company was granted an exclusive, revocable license for a term of three years commencing on February 15, 2018, unless sooner terminated. The LA will be automatically renewed for additional three year terms unless either party provides 120 days written notice of its intention not to renew. Pursuant to the LA, the Company will:

- Provide Licensed Product ("LP") (as defined) and product support for promotional purposes and LP for giveaways and prizes as required by the licensor;
- Grant the licensor a non-excusive, revocable North American license to use its Marks (as defined) to exercise its rights and perform its obligations;
- Pay for personal appearances by the licensor and/or related individuals; and
- Pay a license fee comprised of:
  - An initial payment of US$18,500 payable on execution of the agreement;
  - A stipend of US$5,000 payable for a period of 12 months commencing on March 15, 2018. If fewer than 10,000 LPs are sold during the first 12 months, the stipend is payable for an additional 12 months commencing on March 15, 2019; and
  - A royalty of US$8 per LP sold for the first 25,000 LPs and US$4 per LP for each LP thereafter.

  The stipend ends on the date that the 25,000th LP is sold. Upon termination or non-renewal of the LA, the royalty remains payable for a period of six months.

Either party can terminate the LA for breaches that are not remedied during the applicable cure periods.

On March 12, 2018, Lenten Street entered into an agency agreement (the "AA") with CoolSave Limited ("the Agent"), a private company in England. Pursuant to the AA, the Agent (Note 5):

- Was appointed as Lenten Street's exclusive agent within the United Kingdom, excluding Ireland, may act as a non-exclusive agent in Ireland and throughout Europe and as agent in other areas of the world with written permission;
- Will identify, solicit and introduce prospective purchasers of the Company's air conditioning, refrigeration and HVACR technology with specific responsibilities for sales, marketing, installation and project management;
- Will receive commissions ranging from 20% to 40% on sales of ECO3 units to qualified purchasers (as defined) based on average unit and price per unit sales levels and a similar commission scale will be developed for ESM projects;

- Will receive an annual commission of 49% of net profit (as defined) less commission previously paid on sales in excess of £2,000,000; and
- Was granted 5,000,000 options (see below) that will vest based on total gross revenue from sales of the Company's products generated by the agent in the first year as follows:
    - 1,000,000 options on the first £250,000;
    - 1,000,000 options on the next £250,000; and
    - 1,000,000 options on each of the next three succeeding tranches of £500,000
    - such that all 5,000,000 options will have vested upon reaching a total of £2,000,000 pounds of total gross revenue in the first year.

Either party can terminate the AA by giving 90 days written notice.

14. Related Party Transactions

Trading Transactions

The Company's related parties consist of companies owned by executive officers and directors and key management as follows:

	Nature of Transaction
Maxwell Mercantile	Management services
Brad Nightingale Consulting	Consulting services
Global Telematic Solutions	Administration services

The Company incurred the following expenses in connection with the companies owned by key management and directors. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	Note	**March 31, 2018**	**March 31, 2017**
Consulting fees	(i)	$45,000	$45,000
Administration services	(ii)	3,768	3,986
		$48,768	**$48,986**

i. During the three months ended March 31, 2018, consulting fees of $45,000 were charged by a company with common directors (March 31, 2017 - $45,000).

ii. During the three months ended March 31, 2018, administration fees of $3,768 were charged by a company with common directors (March 31, 2017 - $3,986).

Due to/from Related Parties

Included in trade and other receivables is $5,000 due from the former President as at March 31, 2018 (December 31, 2017 - $5,000) related to an advance for travel expenses. The amount is unsecured, non-interest bearing and has no fixed terms of repayment (note 3).

Included in trade payables and accruals is $208,592 due to related parties as at March 31, 2018 (December 31, 2017 - $277,829) as follows:

	March 31, 2018	**December 31, 2017**
Company controlled by the Chief Executive Officer	$150	$21,321
President (former)	54,755	62,255
Chief Financial Officer	27,227	26,917
Executive VP	30,000	68,822
VP of Operations	40,821	56,000
Other related parties	55,639	42,514
Total	**$208,592**	**$277,829**

The amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

15. Financial Instruments

Financial Instruments

The Company has classified its financial instruments as follows:

	March 31, 2018	**December 31, 2017**
Financial assets		
FVTPL , measured at fair value:		
Cash and cash equivalents	$188,060	$477,000
Loans and receivables, measured at amortized cost:		
Trade and other receivables	649,530	430,681
	$ 837,590	**$907,681**
Other financial liabilities, measured at amortized cost		
Trade payables and accruals	$729,178	$ 867,900
Loans and advances	87,594	82,569
Acquisition obligations and debentures	1,040,340	992,736
	$ 1,857,112	**$ 1,943,205**

Interest and accretion charged on loans, obligations under acquisition contracts and debentures are recognized in finance expense in the statement of operations.

Unrealized gain or loss on investment in securities is recognized in other comprehensive income.

Financial instruments recorded at fair value are measured using a three-level fair value hierarchy:

- Level 1: fair value is determined by reference to quoted prices in active markets for identical assets and liabilities.

- Level 2: fair value is determined based on inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly.

- Level 3: fair value is determined based on inputs that are unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, trade and other receivables, trade payables and accruals, loans and advances, obligations under acquisition contracts and debentures approximate fair value because of the short-term nature of these instruments.

Financial Risk Management

The Company is exposed to certain financial risks, including credit risk, liquidity risk, market risk and foreign currency risk.

a. *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents and trade and other receivables. The Company limits its exposure to credit loss by placing its cash and cash equivalents and short-term investments with high credit quality financial institutions. To mitigate credit risk with respect to trade receivables the Company subjects all major customer accounts to its credit evaluation process.

As at March 31, 2018, the Company had $649,530 (December 31, 2017 - $430,681) in trade and other receivables which were subject to credit risk (note 3).

b. *Liquidity risk*

The Company's consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and the settlement of liabilities in the normal course of business. Liquidity risk results from the Company's inability to meet its financial obligations when they become due. As part of the risk management process, the Board approves the Company's annual operating and capital budgets as well as any material transactions outside the ordinary course of business. To ensure that the Company has sufficient liquidity to meet its current obligations in the next 12 months, measures have been taken to increase cash resources (note 1).

The timing of future payments related to financial liabilities is outlined in the table below:

	Total	1 year	1-2 years
Trade payables and accruals	$ 729,178	$ 729,178	$-
Loans and advances	87,594	87,594	-
Obligations under acquisition contracts	413,762	413,762	-
Debentures	626,578	149,195	477,383
Total	**$1,857,112**	**$ 1,379,729**	**$ 477,383**

c. *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or valuation of its financial instruments.

d. *Foreign currency risk*

The Company is exposed to fluctuations in foreign currency as most of its international distribution transactions are settled in U.S. dollars, Australian dollars, Canadian dollars and British pounds. The Company's net income or loss and cash flow will therefore be affected by fluctuations in foreign exchange rates. None of these risks has been mitigated through the use of foreign currency forward contracts.

As at March 31, 2018, the Company's monetary assets and liabilities denominated in foreign currencies are as follows:

	USD	AUD	GBP
Assets			
Cash and cash equivalents	$108,206	$-	£22,696
Trade and other receivables	21,202	-	289,143
Total	**$129,408**	**$-**	**£311,839**
Liabilities			
Trade payables and accruals	$173,864	$5,399	£119,676
Acquisition obligations	-	-	228,521
Total	**$173,864**	**$5,399**	**£348,197**

The following table demonstrates the effect of exchange rate movement on net income or loss due to gains and losses on the revaluation of monetary assets and liabilities denominated in foreign currencies:

Gain (loss) on $0.10 increase in CAD	USD	AUD	GBP
Monetary assets	($12,941)	$-	($31,184)
Monetary liabilities	(17,386)	(540)	(34,820)
Net gain (loss)	**($30,327)**	**($540)**	**($66,004)**
Gain (loss) on $0.10 decrease in CAD	**USD**	**AUD**	**GBP**
Monetary assets	$12,941	$-	$31,184
Monetary liabilities	17,386	(540)	34,820
Net gain (loss)	**$30,327**	**($540)**	**$66,004**

16. General and Administrative Expenses

	Three months ended March 31, 2018	Three months ended March 31, 2017
Advertising and promotion	$ 16,957	$ 939
Consulting & management fees	167,965	78,223
Filing and transfer fees	23,686	9,208
Insurance	24,768	2,028
Interest	916	(307)
Investor relations	7,688	500
Product certification	1,701	-
Professional fees	25,971	12,813
Office and supplies	5,490	7,072
Rent	11,749	2,469
Salaries and benefits	206,180	128,237
Telephone	2,933	2,169
Travelling	28,926	22,295
Total general & administrative expenses	**$ 519,098**	**$ 265,646**

17. Capital Management

The Company's capital structure includes debentures and shareholders' equity consisting of share capital, reserve for equity settled share-based transactions and deficit. As at March 31, 2018, the principal amount of the debenture component plus interest payable was $626,578 (December 31, 2017 - $607,778) and shareholders' deficiency was $333,000 (December 31, 2017 – $189,579).

The Company's objectives when managing capital are:

- to effectively finance its operations and growth by meeting its operating and capital expenditure budgets;
- to maintain financial flexibility in order to meet financial obligations, including obligations under acquisition contracts;
- to ensure its ability to carry out its strategic plans and take advantage of acquisition opportunities; and
- to provide an appropriate investment return to its shareholders and maintain investor, creditor and market confidence.

To ensure that the Company continues to be a going concern with adequate working capital in the next 12 months steps have been taken to monitor expenses, grow revenue and arrange for additional capital financing.

The Company is not subject to any external capital restrictions.

18. Subsequent Events

On February 16, 2018, the Company entered into a Term Sheet Agreement with Total Energy Concepts ("TEC"), a Minnesota-based distributor of energy efficiency products, to set out the terms by which the Company will acquire all of the assets and liabilities of TEC in exchange for USD 850,000 payable in common shares of the Company at the closing market price on the day before the closing of a Definitive Acquisition Agreement (the "DAA"). As part of the acquisition, the Company will pay the owner of TEC USD 150,000 in cash payable either at closing or over a maximum period of 12 months from the closing date and grant him options to purchase 5,000,000 common shares of the Company exercisable at the market price of the Company's common shares at the closing date over a period of five years. The options vest at 25% at the end of each three-month period following the closing. The owner of TEC will be employed by the Company as the President and Chief Executive Officer of the TEC division or subsidiary of the Company. The DAA is subject to regulatory approval which has not been received as at March 31, 2018.

On April 9, 2018, the Company granted a total of $15,000,000 stock options at an exercise price of $0.05 per common share for a period of five years to two directors, two employees, six independent contractors and a company controlled by a director of the Company.