

IGC



IGC RESOURCES INC.

Financial Statements

For the years ended July 31, 2018 and 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of IGC Resources Inc.

We have audited the accompanying financial statements of IGC Resources Inc., which comprise the statements of financial position as at July 31, 2018 and 2017, and the statements of changes in shareholders' equity (deficit), loss and comprehensive loss 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 as issued by the International Accounting Standards Board, 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 judgement, including the assessment of 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 audit 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 consolidated financial statements.

We believe that the audit evidence we have obtained 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 IGC Resources Inc. as at July 31, 2018 and 2017, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates the existence of a material uncertainty that may cause significant doubt about IGC Resources Inc.'s ability to continue as a going concern.

Vancouver, British Columbia
November 15, 2018


Buckley Dodds LLP
Chartered Professional Accountants

IGC RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian Dollars

	July 31, 2018	July 31, 2017
Current assets		
Cash	\$ 424,553	\$ 52
GST receivable	199	260
Prepaid expenses	833	833
Total assets	\$ 425,585	\$ 1,145
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 101,392	\$ 49,655
Loans payable (note 6)	-	28,018
Total liabilities	101,392	77,673
Shareholders' equity (deficit)		
Share capital (note 7)	11,346,618	11,035,454
Reserves	1,772,080	1,493,708
Deficit	(12,794,505)	(12,605,690)
Total shareholders' equity (deficit)	324,193	(76,528)
Total liabilities and shareholders' equity (deficit)	\$ 425,585	\$ 1,145

Nature of operations and going concern (note 1)
 Subsequent events (note 11)

Approved on behalf of the Board of Directors:

(signed) _____ Director

The accompanying notes are an integral part of these financial statements

IGC RESOURCES INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

Expressed in Canadian Dollars

	Share Capital		Reserves		Deficit	Total
	Number of Shares	Amount	Warrants	Contributed surplus		
Balance - July 31, 2016	2,656,443	\$ 11,035,454	\$ -	\$ 1,493,708	\$ (12,585,590)	\$ (56,428)
Net loss for year		-	-	-	(20,100)	(20,100)
Balance - July 31, 2017	2,656,443	11,035,454	-	1,493,708	(12,605,690)	(76,528)
Non-brokered private placement	7,999,999	316,687	283,313	-	-	600,000
Capital raising costs		(5,523)	(4,941)	-	-	(10,464)
Net loss for year		-	-	-	(188,815)	(188,815)
Balance - July 31, 2018	10,656,442	\$ 11,346,618	\$ 278,372	\$ 1,493,708	\$ (12,794,505)	\$ 324,193

The accompanying notes are an integral part of these financial statements

IGC RESOURCES INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian Dollars

	For the years ended July 31,	
	2018	2017
Operating expenses		
Accounting and audit (note 6)	\$ 35,150	\$ 5,800
General and administrative	115	408
Legal	26,669	3,857
Management consulting fees (note 6)	72,188	-
Office rental and services	37,500	-
Transfer agent, listing and filing fees	17,193	10,035
Net loss and comprehensive loss for year	\$ (188,815)	\$ (20,100)
Loss per share - basic and diluted	\$ (0.03)	\$ (0.01)
Weighted average number of shares outstanding - basic and fully diluted	5,527,675	2,656,443

The accompanying notes are an integral part of these financial statements

IGC RESOURCES INC.
STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars

	For the years ended July 31,	
	2018	2017
Operating activities		
Net loss for year	\$ (188,815)	\$ (20,100)
Changes in non-cash working capital items		
GST receivable	61	(156)
Accounts payable and accrued liabilities	51,737	5,053
Cash provided by (used in) operating activities	(137,017)	(15,203)
Financing activities		
Loan advances	11,160	15,101
Loan repayments	(39,178)	-
Shares and warrants issued for cash	600,000	-
Capital raising costs	(10,464)	-
Cash provided by (used in) financing activities	561,518	15,101
Increase (decrease) in cash	424,501	(102)
Cash - beginning of year	52	154
Cash - end of year	\$ 424,553	\$ 52

The accompanying notes are an integral part of these financial statements

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

IGC Resources Inc. (the “Company” or “IGC”) was incorporated under the laws of British Columbia in 1992. On July 21, 2004, the Company changed its name from International Green Ice Inc. to IGC Resources Inc. Its principal business activities historically included the exploration and evaluation of natural resource properties in Canada. Presently, the Company is looking for a high-quality investment opportunity (note 11(b)). The Company was moved from the TSX Venture Exchange (“TSXV”) to the NEX on July 10, 2014 due to its inability to meet its Tier 2 listing requirements. The Company is currently trading under the symbol IGC.H.

The address of the Company’s corporate office is 228 16th Street Northwest, Calgary, Alberta T2N 2B9.

These financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At July 31, 2018, the Company had working capital of \$324,193. During the year ended July 31, 2018, the Company had incurred a net loss totalling \$188,815. The accumulated deficit at July 31, 2018 is \$12,794,505. The Company has limited financial resources and has not been able to pay all of its accounts payable as they become due.

The ability of the Company to meet its commitments and ongoing operating expenses will depend upon the following:

- The ability to raise further funds through the issue of equity financing; and,
- Continued financial support from the creditors.

Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future and such funds will be available on terms acceptable by the Company. These conditions cast significant doubt on the Company’s ability to continue as a going concern.

While these financial statements have been prepared on the assumption that the Company is a going concern and will be able to realize its assets and meet its obligations in the normal course of operations, there are significant conditions and events that cast significant doubt on the validity of that assumption. These financial statements do not reflect all the adjustments to the carrying value of assets and liabilities and the reported expenses that would be necessary should the going concern assumption become inappropriate. These adjustments could be material.

2. STATEMENT OF COMPLIANCE

The financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements were authorized for issue by the Board of Directors on November 15, 2018.

3. ACCOUNTING POLICIES

These financial statements are prepared in Canadian dollars, which is also the functional currency.

a) Basis of presentation

These financial statements have been prepared on a historical cost basis except for certain assets which are measured at fair value. These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

The preparation of these financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Expressed in Canadian Dollars

3. ACCOUNTING POLICIES - CONTINUED

b) Cash

Cash is cash on deposit with banks.

c) Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in net earnings.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method.

The Company's financial assets and liabilities are recorded and measured as follows:

<u>Asset or Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	FVTPL	Fair value
Accounts payable	Other liabilities	Amortized cost
Loans payable	Other liabilities	Amortized cost

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

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value using Level 1 inputs.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Expressed in Canadian Dollars

3. ACCOUNTING POLICIES - CONTINUED

d) Share capital

- i. Proceeds from the exercise of stock options and warrants, in addition to the estimated fair value attributable to these equity instruments, are recorded as share capital when exercised.
- ii. Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value reduced by an estimate of transaction costs incurred when such shares are issued for cash.
- iii. On a unit offering, the Company prorates the proceeds between the relative fair values of the shares issued and the warrants issued.

e) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted and warrants outstanding.

When a loss is incurred during the reporting period, the exercise of options and warrants is considered anti-dilutive and the basic and diluted loss per share are the same.

f) Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in the other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted on the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or tax expense in the statement of equity in which case the related deferred tax is also recognized in equity in which case the related deferred tax is also recognized in equity, respectively.

Expressed in Canadian Dollars

3. ACCOUNTING POLICIES – CONTINUED

g) Share-based payment transactions

The Company grants stock options to directors, officers, employees and service providers. Each tranche in an award is considered a separate award with its own vesting period and fair values. The Company applies the fair-value method of accounting for share-based payments. The fair value is calculated using the Black-Scholes option pricing model.

Share-based payments for employees and others providing similar services are determined based on the grant date fair value. Share-based payments for non-employees is determined based on the fair value of the goods or services received unless the goods or service received by the entity as consideration cannot be specifically identified, in which case it is measured at the fair value of the share-based payment.

The share-based payment expense is recognized over each tranche's vesting period, in the statement of loss or capitalized as appropriate, based on the number of awards that vest less the estimated forfeitures. The number of forfeitures likely to occur is estimated on the grant date. If stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

h) Transaction costs

Costs associated with potential mergers, acquisitions including legal fees and other associated costs are expensed as incurred.

i) Recent IFRS pronouncements

The IFRS pronouncements that have been issued but are not yet effective are listed below. The Company plans to apply the new standards or interpretations in the annual period for which it is first required.

IFRS 9 – Financial instruments - classification and measurement

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit and loss ("FVTPL"). There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI for liabilities designated as FVTPL. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9, as set out below:

	Measurement categories	
	IAS 39	IFRS 9
Financial instruments		
Cash	FVTPL	FVTPL
Accounts payable	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost

Expressed in Canadian Dollars

3. ACCOUNTING POLICIES – CONTINUED

Amendments to IFRS 2 – Share-based payments

This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The Company is in the process of determining the impact of the adoption of this standard on the financial statements, if any. Effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 7 - Financial Instruments: Disclosures

This amendment clarifies the definition for continuing involvement in a transferred financial asset effective for annual periods beginning on or after January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company currently has no contracts with customers.

IFRS 16 - Leases

IFRS 16 addresses accounting for leases and lease obligations. It replaces the existing leasing guidance in IAS 17, Leases. The objective of the new standard is to report all leases on the statement of financial position and to define how leases and lease liabilities are measured. IFRS 16 is effective January 1, 2019 with early adoption permitted for companies that also apply IFRS 15. The Company has yet to assess the full impact of IFRS 16. The Company currently is not party to any lease agreement.

Amendments to IAS 12 - Income Taxes

This amendment is effective for annual periods beginning on or after January 1, 2019 to clarify recognition of income tax consequences of dividends.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

This is an interpretation that clarifies when an entity recognizes a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The effective date for IFRIC 22 is for annual periods beginning on or after January 1, 2018.

IFRIC 23 - Uncertainty over Income Tax Treatments

This is an interpretation that clarifies how to apply the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over tax treatments. The effective date for IFRIC 23 is for annual periods beginning on or after January 1, 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Expressed in Canadian Dollars

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS - CONTINUED

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company has identified the following accounting policies under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's statement of financial position within the next years. Actual results may differ from these estimates.

Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available to pursue other investment opportunities and for working capital requirements.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2018	July 31, 2017
Accounts payable (note 6)	\$ 2,205	\$ 44,155
Accrued liabilities (note 6)	99,187	5,500
	\$ 101,392	\$ 49,655

6. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the financial statements not disclosed elsewhere in these financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

Remuneration attributed to key management personnel is as follows:

	July 31, 2018	July 31, 2017
Services provided:		
Accounting fees	\$ 26,750	\$ -
Management consulting fees	30,000	-
	\$ 56,750	\$ -

IGC Resources Inc.
Notes to Financial Statements
As at and for the years ended July 31, 2018 and 2017

Expressed in Canadian Dollars

6. RELATED PARTY TRANSACTIONS - CONTINUED

During the year ended July 31, 2018, \$11,160 (2017- \$15,101) in loan proceeds were advanced to the Company to pay creditors. The balances of the loans payable totalling \$39,178 were repaid during the most recently completed financial year. The loans payable were without interest or stated terms of repayment.

	July 31,		July 31,	
	2018		2017	
Due to a company controlled by a director	\$	-	\$	13,325
Due to a shareholder		-		14,693
	\$	-	\$	28,018

Amounts due to related parties included in accounts payable and accrued liabilities are as follows:

	July 31,		July 31,	
	2018		2017	
Balances accrued or payable to key management personnel for compensation	\$	12,000	\$	9,188

7. EQUITY

a) Authorized

An unlimited number of common shares without par value

b) Share consolidation

Effective March 22, 2018, the Company's shares were consolidated on a 10:1 basis. All share capital amounts (issued) have been restated to give effect to the consolidation.

c) Private placement

The Company completed a non-brokered private placement of 7,999,999 post consolidation units at a price of \$0.075 per unit that closed March 22, 2018. Each unit comprised of one common share and one warrant entitling the holder to acquire one common share for a period of one year at a price of \$0.10 per share.

d) Reserves

Reserves consist of share purchase warrants and the accumulated fair value of common share stock options recognized as share-based compensation.

Warrants	July 31, 2018		July 31, 2017	
	Number of warrants	Amount	Number of warrants	Amount
Opening balance	-	\$ -	-	\$ -
Warrants issued	7,999,999	278,372	-	-
Closing balance	7,999,999	\$ 278,372	-	\$ -

The fair value of the 7,999,999 warrants issued in connection with the unit private placement completed during the year ended July 31, 2018 totalled \$278,372. The warrants were valued using the Black-Scholes valuation model using the following assumptions:

Warrant term	Volatility	Dividend yield	Risk-free interest rate	Warrants Issued	Fair value	Warrant issue costs	Net
1 year	286%	0%	1.09%	7,999,999	\$ 283,313	\$ 4,941	\$ 278,372

IGC Resources Inc.
Notes to Financial Statements
As at and for the years ended July 31, 2018 and 2017

Expressed in Canadian Dollars

7. EQUITY- CONTINUED

At July 31, 2018, the following share purchase warrants are outstanding:

Number of warrants outstanding	Exercise price	Expiry date	Remaining contractual life
7,999,999	\$0.10	22-March-2019	0.64 years

8. INCOME TAXES

The Company's provision for income taxes differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates as a result of the following:

	July 31, 2018	July 31, 2017
Statutory rates	26.58%	26.00%
Income tax recovery computed at statutory rates	\$ 50,189	\$ 5,226
Deferred tax benefits not recognized	(50,189)	(5,226)
Income tax recovery (expense)	\$ -	\$ -

At July 31, 2018 and 2017, the deferred tax assets are not recognized on the following temporary differences as it is not likely that sufficient future taxable profits will be available to utilize such differences:

	July 31, 2018	July 31, 2017
Capital losses	\$ 217,944	\$ 209,872
Financing costs	2,260	-
Non capital losses	1,819,681	1,254,922
Resource pools	334,450	769,790
Total gross deferred income tax assets	2,374,335	2,234,584
Deferred tax assets not recognized	(2,374,335)	(2,234,584)
	\$ -	\$ -

At July 31, 2018, the Company has Canadian non-capital losses, which may be carried forward to apply against future year's income for Canadian income tax purposes, subject to final determination by taxation authorities, expiring as follows:

2027	\$ 196,911
2028	642,805
2029	128,486
2030	129,415
2032	58,368
2033	64,430
2034	81,799
2035	3,477,314
2036	26,993
2037	20,100
2038	1,912,937
	\$ 6,739,558

Expressed in Canadian Dollars

8. INCOME TAXES – CONTINUED

The Company has cumulative resource pools of \$1,238,704, which can be carried forward indefinitely to offset future taxable income in Canada. The Company's unamortized share issue costs for tax purposes, which are available to reduce taxable income of years 2019-2022 amounts to \$8,374. The Company has capital losses of \$1,614,399, which can be carried forward indefinitely to offset future capital gains in Canada.

9. CAPITAL MANAGEMENT

The Company's objectives when managing its capital is to maintain the ability to continue as a going concern in order to pursue a business development opportunity for the benefits of its stakeholders and to maintain flexible capital structure, which optimizes the costs of capital at an acceptable risk level.

In the management of capital, the Company includes the components of shareholders' equity.

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

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company is not subject to externally imposed capital requirements. In addition, there have been no changes to the Company's approach to capital management during the year ended July 31, 2018.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of the Company's accounts payable and loans payable approximate carrying value, due to their short-term nature. The Company's cash is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

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. Since the Company's only receivables are GST, it is not subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company manages liquidity risk through its capital management as outlined in note 9.

Expressed in Canadian Dollars

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - CONTINUED

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) 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 is not exposed to interest rate risk from any of its financial instruments.

b) Price risk

The Company is not exposed to price risk as it does not hold any investments in publicly traded securities.

c) Currency risk

The Company's expenditures are predominantly in Canadian dollars, and therefore are not exposed to foreign currency risk.

11. SUBSEQUENT EVENTS

From August 1, 2018 to November 7, 2018, the following events occurred:

- a) On October 4, 2018, 2147378 Alberta Ltd. was incorporated in Alberta ("IGC Subco") and is a wholly owned subsidiary of the Company.
- b) On October 4, 2018, IGC entered into an amalgamation agreement with Westleaf Cannabis Inc. ("Westleaf") and IGC Subco, (the "Amalgamation Agreement") whereby the business and assets of Westleaf and IGC will be combined by way of a three cornered amalgamation between Westleaf, IGC and IGC Subco in accordance with the Business Corporations Act (Alberta) (the "Proposed Transaction"). Upon completion of the Proposed Transaction, the issuer resulting from the Proposed Transaction (the "Resulting Issuer") will carry on the business previously carried on by Westleaf. Completion of the Proposed Transaction is subject to a number of conditions including, but not limited to, completion of a private placement, approvals of all regulatory bodies having jurisdiction in connection with the Proposed Transaction, TSXV acceptance of the Proposed Transaction and, if applicable pursuant to TSXV requirements, shareholder approval. In connection with the Proposed Transaction, it is expected that the Company will consolidate its issued and outstanding common shares on the basis of 2.9233 post-consolidation share for each pre-consolidation share prior to closing of the transaction.

Expressed in Canadian Dollars

11. SUBSEQUENT EVENTS – CONTINUED

- c) On October 16, 2018, the Company entered into an engagement agreement with Westleaf and Canaccord Capital Corp. (“Canaccord”), as lead agent, on behalf of a syndicate of agents (collectively, the “Agents”) in connection with a brokered private placement for a minimum of 17,648,000 subscription receipts of IGC (the “Subscription Receipts”) at a price of \$0.85 per Subscription Receipt to raise, on a commercially reasonable efforts basis, gross proceeds of a minimum of \$15,000,800 (the “Offering”). The Company has also granted the Agents an option (the “Over-Allotment Option”), to place up to an additional 15% of the number of Subscription Receipts issuable under the Offering at a price of \$0.85 per security, exercisable at any time, for a period expiring the earlier of: (a) 30 days after and including the closing date of the Offering; or, (b) the closing date of the Proposed Transaction (note 11(b)). The Over-Allotment Option is exercisable to acquire Subscription Receipts for Units.

Each Subscription Receipt will be automatically exchanged, upon satisfaction of certain escrow release conditions, into one unit of the Company (a “Unit”). Each Unit shall consist of one post-consolidation common share of the Resulting Issuer and one-half of one common share purchase warrant (each whole warrant, a “Warrant”). Each warrant shall be exercisable to acquire one Resulting Issuer Share (a “Warrant Share”) for a period of 24 months from closing at an exercise price of \$1.30 per Warrant, subject to adjustment in certain events. If the escrow conditions are not met by December 31, 2018, all funds will be returned to the subscribers without deduction. The Offering is expected to close November 29, 2018.

If at anytime commencing on the later of (a) the date that is 4 months from the closing of the Offering; and, (b) the date of the expiry or waiver of the Hold Period, the ten (10) trading day volume weighted average trading price of the Resulting Issuer on any public stock exchange exceeds price exceeds \$1.80, then the Resulting Issuer may give notice within five (5) trading days immediately following such ten (10) trading day period (the “Acceleration Notice”) to the holder; (i) setting forth the calculation of the volume weighted average trading price of the Resulting Issuer Shares for the purposes of the such notice; and, (ii) stating that if the Warrants are not exercised by 4:00 p.m. MST on the date specified by the Resulting Issuer in such notice as the “Accelerated Expiry Date”, which Acceleration Expiry Date shall be not less than ten (10) days after the date of the Acceleration Notice, then the Warrants shall expire and be of no further force and effect.

The Resulting Issuer Shares issued in exchange for the Subscription Receipts, the Warrants, the Warrant Shares, the Broker Warrants, as defined below, and the Resulting Issuer Shares issuable on the exercise of the Broker Warrants shall have a four month hold period from the closing of the Proposed Transaction.

The Agents will receive a cash commission equal to 6% of the gross proceeds of the Offering and such number of Agent’s compensation warrants (“Broker Warrants”) equal to 6% of the number of Subscription Receipts issued under the Offering. Each Broker Warrant shall entitle the holder to acquire one Resulting Issuer Share at an exercise price of \$0.85 for a period of 24 months following the closing of the Offering.