

Black Birch Capital Acquisition III Corp.

(A Capital Pool Company)

Financial Statements

For the years ended December 31, 2016 and 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Black Birch Capital Acquisition III Corp.

We have audited the accompanying financial statements of Black Birch Capital Acquisition III Corp., which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of (loss) income and comprehensive (loss) income, statements of changes in deficiency and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained 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 Black Birch Capital Acquisition III Corp. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Black Birch Capital Acquisition III Corp. had continuing losses during the year ended December 31, 2016 and a cumulative deficit as at December 31, 2016. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the ability of Black Birch Capital Acquisition III Corp. to continue as a going concern.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 30, 2017

Black Birch Capital Acquisition III Corp.

(A Capital Pool Company)

Statements of Financial Position

As at

(Expressed in Canadian dollars)

	December 31, 2016 \$	December 31, 2015 \$
Assets		
Current assets		
Cash	19,178	119,203
Amounts receivable and deposits (note 6)	19,841	21,120
HST receivable	-	1,136
	<hr/>	<hr/>
Total assets	39,019	141,459
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	448,013	343,893
Short-term loans (note 6)	5,000	5,000
	<hr/>	<hr/>
Total liabilities	453,013	348,893
Shareholders' deficiency		
Share capital (note 5)	534,407	534,407
Contributed surplus (note 5)	20,992	20,992
Deficit	(969,393)	(762,833)
	<hr/>	<hr/>
Total shareholders' deficiency	(413,994)	(207,434)
	<hr/>	<hr/>
Total liabilities and shareholders' deficiency	39,019	141,459

Nature of Operations and Future Operations (note 1)

Subsequent Events (note 14)

On behalf of the Board

(signed) "Paul Haber"

(signed) "Kin-Man Lee"

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

Black Birch Capital Acquisition III Corp.

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Statements of (Loss) Income and Comprehensive (Loss) Income

For the years ended December 31

(Expressed in Canadian dollars)

	2016	2015
	\$	\$
General and administrative expenses		
Qualifying transaction costs	12,719	72,188
Legal and audit fees	21,400	14,540
Transfer agent fees	1,834	4,423
Listing and filing fees	4,821	7,819
	<hr/>	<hr/>
Total general and administrative expenses	(40,774)	(98,970)
Other (expenses) income		
Gain on settlement of accounts payable (Note 13)	-	150,395
Reversal of settlement of accounts payable (Note 13)	(165,674)	-
Bank fees	(112)	(187)
	<hr/>	<hr/>
Net (loss) income and comprehensive (loss) income for the year	(206,560)	51,238
	<hr/>	<hr/>
Basic and diluted (loss) income per share (note 7)	(0.04)	0.01
	<hr/>	<hr/>
Weighted average number of shares outstanding (note 7)	5,299,850	4,950,574
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The accompanying notes are an integral part of these financial statements.

Black Birch Capital Acquisition III Corp.

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Statements of Changes in Deficiency

(Expressed in Canadian dollars)

	Share Capital		Contributed Surplus	Deficit	Total Shareholders' Deficiency
	Number	Amount			
Balance, December 31, 2014	5,109,850	302,121	39,682	(832,761)	(490,958)
Shares issued in private placement	2,402,370	232,286	-	-	232,286
Shares cancelled	(1,000,000)	-	-	-	-
Expiry of warrants	-	-	(18,690)	18,690	-
Net income for the year	-	-	-	51,238	51,238
Balance, December 31, 2015	6,512,220	534,407	20,992	(762,833)	(207,434)
Net loss for the year	-	-	-	(206,560)	(206,560)
Balance, December 31, 2016	6,512,220	534,407	20,992	(969,393)	(413,994)

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

Black Birch Capital Acquisition III Corp.

(A Capital Pool Company)

Statements of Cash Flows

For the years ended December 31

(Expressed in Canadian dollars)

	2016 \$	2015 \$
Cash flows used in operating activities		
Net (loss) income for the year	(206,560)	51,238
Items not affecting cash		
Gain on settlement of accounts payable	-	(150,395)
Reversal of settlement of accounts payable	165,674	-
Operating cash flow before changes in working capital	(40,886)	(99,157)
Changes in non-cash operating working capital		
Change in amounts receivable and deposits	1,279	(21,120)
Change in HST receivable	1,136	25,274
Change in accounts payable and accrued liabilities	(61,554)	(25,864)
Net cash used in operating activities	<u>(100,025)</u>	<u>(120,867)</u>
Cash flows from financing activities		
Proceeds of issuance of common shares	-	240,237
Share issue costs	-	(7,951)
Receipt of short-term loans	-	10,000
Repayment of short-term loans	-	(5,000)
Net cash provided by financing activities	<u>-</u>	<u>237,286</u>
(Decrease) increase in cash	(100,025)	116,419
Cash - beginning of year	<u>119,203</u>	<u>2,784</u>
Cash - end of year	<u>19,178</u>	<u>119,203</u>

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

Black Birch Capital Acquisition III Corp.

(A Capital Pool Company)

(Expressed in Canadian dollars)

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

1. Nature of Operations and Future Operations

Corporate information

Black Birch Capital Acquisition III Corp. (the "Company") was incorporated pursuant to articles of incorporation dated September 24, 2012 under the Business Corporations Act (Ontario). The Company intends to carry on business as a "Capital Pool Corporation" ("CPC"), as this term is defined in the policies of the TSX Venture Exchange (the "Exchange"). The Company's principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The address of the Company's corporate office and principal place of business is 10 Pauline Avenue, Brooklin, Ontario, Canada.

The gross proceeds raised from the Company's Initial Public Offering may only be used to identify a Qualifying Transaction, with the exception that the lesser of 30% of the gross proceeds and \$210,000, being \$93,296, may be used to cover prescribed costs of issuing the common shares in the capital of the Company (the "Common Shares") or administrative and general expenses of the Company.

Where an acquisition (the "Qualifying Transaction") is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. Under the policies of the Exchange, the Company was required to identify and complete a Qualifying Transaction within 24 months from the date the Company's shares were listed for trading on the Exchange. During 2015, the Company was transferred to the NEX Board of the TSX ("NEX") when it failed to complete a Qualifying Transaction within the allowed time frame. Despite its move to the NEX, the Company must still follow the rules of Capital Pool Companies while it is on the NEX.

Proposed Qualifying Transaction

On September 9, 2015 the Company entered into a definitive agreement (the "Agreement") with Advantagewon Oil Corporation ("Advantagewon") which outlined the general terms and conditions pursuant to which the Company and Advantagewon intended to complete a transaction that would result in the Company acquiring all of the issued and outstanding securities of Advantagewon. The transaction would constitute the Company's qualifying transaction (the "Qualifying Transaction") under the policies of the TSX Venture Exchange (the "Exchange").

Pursuant to the Agreement, the Company would acquire all of the issued and outstanding securities of Advantagewon on a 1-for-1 basis. The outstanding warrants and stock options of Advantagewon would be exchanged for warrants of the Company with the same terms.

Following completion of the Qualifying Transaction, it was anticipated that the resulting issuer (the "Resulting Issuer") would be a Tier 1 company. The Company and Advantagewon have a director and officer in common.

This Qualifying Transaction was cancelled on September 30, 2016 when Advantagewon decided to pursue an alternative path to go public.

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Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

During the year ended December 31, 2013, the Company announced that it entered into a letter of intent (“LOI”) with Daymak Inc. (“Daymak”) in respect of a proposed Qualifying Transaction. The terms of the Qualifying Transaction were as follows: The Company would undertake a 2.67 share consolidation of common shares issued and reduce the number of issued options and warrants by the same ratio. The Company would then issue 19,475,000 common shares to the shareholders of Daymak on a 1:1 ratio at a deemed price of \$0.40. The Company and Daymak would also engage a broker to complete a financing from the issuance of units of at least \$3,000,000 and a maximum of \$5,000,000. Each unit would be priced at \$0.40 and would be comprised one common share and a half common share purchase warrant. Each full common share purchase warrant would allow the holder to acquire an additional common share of the merged entity anytime in the 24 month period following the closing of the transaction for \$0.50. This Qualifying Transaction was cancelled on February 2, 2015, when the Company announced that they will not be moving ahead with the planned merger and Qualifying Transaction with Daymak Inc. as a result of not raising the minimum financing required under the terms of their agreement.

Going concern of operations and cancellation of planned qualifying transaction

The Company does not generate revenue from operations. The Company incurred a net loss of \$206,560 (2015 – net income of \$51,238) during the year ended December 31, 2016 and, as of that date the Company’s deficit was \$969,393 (2015 - \$762,833). The Company has a need for equity capital and financing for working capital and the completion of a Qualifying Transaction. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations, however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. Material uncertainties as described cast significant doubt upon the Company’s ability to continue as a going concern.

These financial statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As the Company has no revenues, its ability to continue as a going concern is dependent on obtaining additional financing and completing a Qualifying Transaction. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the company be unable to continue in business. These adjustments could be material.

2. Basis of Preparation

These financial statements of the Company were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. The policies set out in Note 4 were consistently applied to all the periods presented unless otherwise noted below.

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars which is the functional currency of the Company.

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(A Capital Pool Company)

(Expressed in Canadian dollars)

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

These financial statements were approved by the board of directors for use on April 30, 2017.

3. Change in Accounting Policy and Recent Accounting Pronouncements

During 2016, the Company adopted the amendment to IFRS 11 – Joint Arrangements. This change did not have any material impact on the Company’s financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

4. Significant Accounting Policies

Share-based payments

The Company has established an equity-settled stock option plan for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company’s estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

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

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For the years ended December 31, 2016 and 2015

The value of expired options and warrants is transferred to deficit on expiry.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with original maturities of 90 days or less or short-term investments that are redeemable prior to maturity which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and guaranteed investment certificates that are available on demand by the Company.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive (loss) income except for losses in value that are considered significant or prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging

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instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Earnings per share

Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted earnings or loss per share is calculated assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. During the years ended December 31, 2016 and 2015, the calculation of basic and diluted loss per share is the same as all outstanding options are anti-dilutive.

Use of estimates, assumptions and judgments

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Income taxes, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional

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Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are estimated at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

Share capital and deferred financing fees

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Costs related to shares not yet issued are recorded as deferred financing fees. These fees are deferred until the issuance of the shares to which the fees related to, at which time the fees will be charged against the related share capital or charged to operations if the shares are not issued.

5 Share Capital

a) Authorized

An unlimited number of common shares without par value.

The holders of the common shares are entitled to one vote per share. The holders of the common shares are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at December 31, 2016 and 2015.

b) Issued and outstanding

	Number of common shares	Amount \$
Balance – December 31, 2014	5,109,850	302,121
Issuance of common shares during the year (i)	2,402,370	232,286
Cancellation of founders' shares (ii)	(1,000,000)	-
Balance – December 31, 2015 and 2016	6,512,220	534,407

(i) During 2015, the Company completed a private placement and issued 2,402,370 shares at a price of \$0.10 per share for total proceeds of \$240,237. The Company incurred costs of issuance of \$7,951. A director of the Company subscribed for 52,370 shares for gross proceeds of \$5,237.

(ii) During 2015, 1,000,000 founders' shares were cancelled as part of the transfer of the Company to the NEX Board of the TSX Venture Exchange.

In connection with the formation of the Company, the Company issued 2,000,000 shares at a price of \$0.05 per share. The shares were issued to directors of the Company and a company controlled by a director of the Company. These shares held in escrow, subject to an escrow agreement pursuant to policies of the Exchange (the "**Escrow Agreement**"). Under terms of the Escrow Agreement, 10% of the escrowed shares will be released from escrow upon the issuance of the "Final Exchange Bulletin", as such term is defined in Exchange Policy 2.4 (the "**Initial Release**") and an additional 15% will be released on each of the dates six months, 12 months, 18 months, 24 months, 30 months, and 36 months following the Initial Release. Shares held in escrow will be cancelled should the Company fail to complete its

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Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

Qualifying Transaction or become delisted. As at December 31, 2016, 1,212,370 shares are held in escrow.

c) Stock options

Stock option plan

The Company has established a stock option plan (the “Plan”) for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Awards may be granted for a maximum term of ten years from the date of grant.

(i) Changes in stock options

The Company’s stock options outstanding as at December 31, 2016 and 2015 and the changes for the years then ended are as follows:

	Number of options	Weighted average price	Weighted average remaining contractual life (years)
Balance – December 31, 2016, 2015, and 2014	<u>279,886</u>	<u>\$0.10</u>	<u>1.5</u>

(ii) Options outstanding at the end of the year

The following table summarizes information concerning outstanding and exercisable options at December 31, 2016:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
<u>279,886</u>	<u>279,886</u>	<u>\$0.10</u>	<u>July 10, 2018</u>

d) Warrants

(i) Changes in warrants

The Company’s warrants outstanding as at December 31, 2016 and 2015, and the changes for the years then ended are as follows:

	Number of warrants	Weighted average price
Balance – December 31, 2014	310,985	\$0.10
Warrants expired	<u>(310,985)</u>	<u>(\$0.10)</u>
Balance – December 31, 2016 and 2015	<u>-</u>	<u>-</u>

There were no warrants outstanding as at December 31, 2016.

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e) Contributed surplus

The Company's contributed surplus balance as at December 31, 2016 is as follows:

	\$
Balance – December 31, 2014	39,682
Warrants expired	<u>(18,690)</u>
Balance – December 31, 2016 and 2015	<u>20,992</u>

6 Related Party Transactions

As at December 31, 2016 the Company had no subsidiaries.

The Company's related parties consist of directors and officers or companies associated with them.

Key management includes the Chief Executive Officer and the Chief Financial Officer. In accordance with Exchange policies for CPCs, no salaries or other benefits may be paid or accrued to key management.

Included in accounts receivable and deposits as at December 31, 2016 is \$19,816 (2015 – 19,816) which was advanced to Advantagewon. The amount is unsecured, non-interest bearing, due on demand, and was reimbursed to the Company subsequent to December 31, 2016.

Included in accounts payable and accrued liabilities as at December 31, 2016 is \$8,183 (2015 - \$1,719) owing for expenses paid by a senior officer and director on behalf of the Company. The amounts are unsecured, non-interest bearing and due on demand.

During 2015, two directors advanced \$5,000 each to the Company. Of the total amount received of \$10,000, \$5,000 was repaid during the year ended December 31, 2015. The remaining balance owing of \$5,000 is unsecured, non-interest bearing with no fixed terms of repayment.

7 Basic and Diluted Loss Per Share

The calculation of basic and diluted loss per share for the year ended December 31, 2016 and 2015 was based on the following:

	December 31, 2016	December 31, 2015
	\$	\$
Net (loss) income for the year	<u>(206,560)</u>	<u>51,238</u>
Weighted average number of shares outstanding	<u>5,299,850</u>	<u>4,950,574</u>

At December 31, 2016, 1,212,370 (2015 – 1,212,370) shares have been excluded from the calculation as they are subject to escrow provisions that are not related to the passage of time. The calculation also excluded the effect of 279,886 (2015 - 279,886) options outstanding as they are anti-dilutive.

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8 Segment Information

The Company's operations are limited to a single industry segment, being the identification, evaluation, and acquisition of assets, properties or businesses. All assets and liabilities of the Company are located in Canada.

9 Income Taxes

Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 26.5% (2015 - 26.5%) were as follows:

	2016	2015
	\$	\$
(Loss) income before income taxes	(206,560)	51,238
Expected income tax recovery based on statutory rate	54,700	13,600
Tax benefits not recognized	(54,700)	(13,600)
Deferred income tax expense	-	-

Deferred income tax balances

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2016	2015
	\$	\$
Non-capital loss carry-forwards	1,014,000	786,000
Share issue costs	22,000	44,000
Other	19,000	19,000
	1,055,000	849,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The Company has approximately \$1,014,000 of non-capital losses in Canada which, under certain circumstances, can be used to reduce the taxable income of future years. These losses expire as follows:

Year	Amount
2033	\$114,000
2034	672,000
2036	228,000
	<u>\$1,014,000</u>

Black Birch Capital Acquisition III Corp.

(A Capital Pool Company)

(Expressed in Canadian dollars)

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

10 Financial Instruments

Fair value of financial instruments

The Company's financial instruments consist of cash, amounts receivable and deposits, accounts payable and accrued liabilities, and short-term loans. Cash and amounts receivable and deposits are classified as loans and receivables, and accounts payable and accrued liabilities and short-term loans are classified as other financial liabilities. Both are measured at their amortized cost which approximates their fair value due to their short-term nature.

The Company classifies fair values of financial instruments within a three-level hierarchy that prioritizes the inputs to fair value measurement and reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. As at December 31, 2016 and 2015, the Company had no financial instruments measured at fair value and requiring classification in the hierarchy.

11 Financial Risk Exposure and Risk Management

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's search for a Qualifying Transaction, and limited exposure to credit and market risks. There have been no changes in the risks, objectives, policies and procedures during the years ended December 31, 2016 and 2015.

The types of risk exposure and the way in which such exposures are managed are as follows:

Concentration risk

Concentration risk exists in cash because all balances are maintained with one financial institution. This risk is mitigated by the fact that the bank is a Canadian chartered bank.

Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its commercial obligations. The Company believes its exposure to credit risk is not significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by attempting to maintain sufficient cash balances to

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For the years ended December 31, 2016 and 2015

enable settlement of transactions on the due date. Accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. None of the Company's financial instruments bear interest. Therefore, management considers this risk to be remote.

b) Foreign currency risk

Foreign currency risk is the risk of loss from fluctuation in foreign exchange rates. Since the Company's assets and liabilities are all denominated in Canadian dollars and its operations are all in Canada this risk is considered remote.

12 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to complete a Qualifying Transaction so that it can provide adequate returns for shareholders. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total equity. There were no changes in the Company's capital management strategy during the years ended December 31, 2016 and 2015. The Company is not subject to any externally imposed capital requirements.

13 Settlement of Accounts Payable

During 2015, the Company entered into a settlement agreement and recorded a gain on settlement of accounts payable in the amount of \$150,395. In 2016, the Company breached the terms of the agreement and has increased the accounts payable to the original amount owing as at December 31, 2016.

14 Subsequent Events

In 2016, the Company entered into a settlement and subscription agreement to issue units at a deemed price of \$0.15 to settle accounts payable of approximately \$125,000. Each unit will consist of one share and one half of one common share purchase warrant with each whole warrant exercisable at \$0.25 for three years. In addition, the same unrelated party agreed to subscribe for \$20,000 of common shares at \$0.15. As at December 31, 2016, the settlement and subscription had not occurred.