



PATRIOT ONE TECHNOLOGIES INC.
(formerly Clear Mountain Resource Corp.)

Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended April 30, 2017
Revised

PATRIOT ONE TECHNOLOGIES INC.

(formerly Clear Mountain Resource Corp.)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

	April 30, 2017	July 31, 2016
Assets		
Current assets		
Cash	\$ 2,034,870	\$ 195,090
Accounts and other receivables	118,566	30,166
Prepaid expenses and deposits	44,479	101
Total assets	\$ 2,197,915	\$ 225,357
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 356,492	\$ 229,109
Shareholders' equity (deficiency)		
Share capital (Note 6)	6,624,273	475,625
Contributed surplus (Note 6)	501,108	-
Share subscriptions	-	124,865
Accumulated deficit	(5,283,958)	(604,242)
	1,841,423	(3,752)
Total liabilities and shareholders' equity (deficiency)	\$ 2,197,915	\$ 225,357

Reporting entity and going concern (Note 1)

Subsequent events (Note 10)

Approved on behalf of the Board:

"Martin Cronin"

Director, Chief Executive Officer

"Scott Shepherd"

Director

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

PATRIOT ONE TECHNOLOGIES INC.

(formerly Clear Mountain Resource Corp.)

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Unaudited)

	Three months ended April 30, 2017	Nine months ended April 30, 2017
Expenses		
Advertising and marketing	\$ 96,497	\$ 208,677
Business development	185,817	311,412
Conferences and trade shows	75,071	292,542
General and administrative	88,965	120,398
Licensing	31,015	49,495
Listing cost - fair value of shares issued (Note 4)	-	1,629,332
Listing cost - other (Note 4)	-	179,659
Management fees	203,971	483,764
Professional fees	116,174	201,590
Research and development	216,314	753,304
Share-based compensation (Note 6)	82,403	449,543
Loss and Comprehensive Loss for the period	\$ 1,096,227	\$ 4,679,716
Weighted average number of shares	54,248,887	41,415,667
Basic and diluted loss per share	\$ 0.02	\$ 0.11

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

PATRIOT ONE TECHNOLOGIES INC.

(formerly Clear Mountain Resource Corp.)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited)

	Share Capital		Share Subscriptions	Contributed surplus	Accumulated deficit	Total
	Number of shares	Amount				
Balance - July 31, 2016	17,885,001	\$ 475,625	\$ 124,865	\$ -	\$ (604,242)	\$ (3,752)
Shares issued for cash, net of share issue costs (Note 6)	20,775,589	2,801,632	(124,865)	65,500	-	2,742,267
Fair value of shares issued on Transaction (Note 4)	10,862,216	1,629,332	-	-	-	1,629,332
Shares issued on the exercise of warrants	9,460,077	1,693,684	-	(13,935)	-	1,679,749
Shares issued on the exercise of stock options	80,000	24,000	-	-	-	24,000
Share-based compensation (Note 6)	-	-	-	449,543	-	449,543
Net loss for the period	-	-	-	-	(4,679,716)	(4,679,716)
Balance - April 30, 2017	59,062,883	\$ 6,624,273	\$ -	\$ 501,108	\$ (5,283,958)	\$ 1,841,423

	Share Capital		Share Subscriptions	Contributed surplus	Accumulated deficit	Total
	Number of shares	Amount				
Balance - March 7, 2016	-	\$ -	\$ -	\$ -	\$ -	\$ -
Share capital issued for cash, net of share issue costs	16,325,001	397,625	-	-	-	397,625
Share subscriptions, net of cash received	-	-	124,865	-	-	124,865
Shares issued for licensing agreement (Note 5)	1,560,000	78,000	-	-	-	78,000
Net loss for the period	-	-	-	-	(604,242)	(604,242)
Balance - July 31, 2016	17,885,001	\$ 475,625	\$ 124,865	\$ -	\$ (604,242)	\$ (3,752)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

PATRIOT ONE TECHNOLOGIES INC.

(formerly Clear Mountain Resource Corp.)

Condensed Consolidated Interim Statements of Cash Flows for the nine months ended April 30, 2017
(Unaudited)

Cash flow (used in) operating activities

Net loss for the period	\$ (4,679,716)
Adjustment for:	
Listing cost - fair value of shares issued (Note 4)	1,629,332
Listing cost - other (Note 4)	157,485
Share-based compensation (Note 6)	449,543
	(2,443,356)
Changes in non-cash working capital	
Accounts receivable (Note 4)	(78,920)
Prepaid expenses (Note 4)	(35,045)
Accounts payable and accrued liabilities (Note 4)	(71,218)
Cash used in operating activities	(2,628,539)

Cash flow from Investing activities

Cash received on Transaction (Note 4)	22,303
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Cash flow from financing activities

Proceeds on issue of share capital, net of share issue costs	2,742,267
Proceeds on exercise of warrants	1,679,749
Proceeds on exercise of stock options	24,000
Cash received from financing activities	4,446,016

Increase in cash for the period	1,839,780
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Cash at beginning of period	195,090
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Cash at end of period	\$ 2,034,870
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SUPPLEMENTAL CASH FLOW INFORMATION (Note 8)

The accompanying notes form an integral part of these condensed consolidated interim financial statements

PATRIOT ONE TECHNOLOGIES INC.

(formerly Clear Mountain Resources Corp.)

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended April 30, 2017

(Unaudited)

1. Reporting entity and going concern

(a) Reporting entity

Patriot One Technologies Inc. (the "Company"), formerly Clear Mountain Resources Corp., was incorporated under the Business Corporation Act of British Columbia. Its common shares are listed on the TSX Venture Exchange ("TSX-V") as a Tier 2 issuer under the trading symbol "PAT". The Company, through its wholly owned subsidiary Patriot One Detection Ltd. ("Patriot"), is principally engaged in the commercialization of a system to detect concealed weapons utilizing radar technologies. The system is an innovative radar technology providing first responders and security personnel valuable time in active threat scenarios.

The Company's primary office is located at 750-1095 West Pender Street, Vancouver, British Columbia, Canada, V6E 2M6 and its registered and records office is located at 400-725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5.

(b) Going concern

These condensed consolidated interim financial statements have been prepared assuming the Company will continue as a going concern, notwithstanding that the Company and its predecessor have a working capital deficiency, and incurred losses and negative cash flows from operations since inception. During the nine months ended April 30, 2017, the Company incurred a net loss of \$4,679,716, which included listing costs of \$1,808,991, of which \$1,786,817 were non-cash items (Note 4), and had positive cash flows from operating, investing and financing activities of \$1,839,780. As at April 30, 2017, the Company had working capital and shareholders' equity of \$1,841,423 and an accumulated deficit of \$5,283,958.

The Company is required to assess its ability to continue as a going concern to determine whether substantial doubt exists as to the Company's ability to continue as a going concern into the foreseeable future. While the Company believes that it has adequate liquidity in cash and working capital to finance its operations, there exist material risks and uncertainties that cast doubt as to the Company's ability to continue as a going concern. The Company's ability to continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business is dependent upon the Company having adequate liquidity and achieving profitable operations that are sustainable. There are various risks and uncertainties affecting the Company including, but not limited to, the market acceptance and rate of commercialization of the Company's products, the ability of the Company to successfully execute its business plan, and general global economic conditions, certain of which are beyond the Company's control. The Company's strategy to mitigate these risks and uncertainties is to execute a business plan aimed at revenue growth, managing operating expenses and working capital requirements, and securing additional financing, including bank loans, shareholders' loans and equity investments from existing or potential shareholders, to fund its operations as needed. Failure to implement this plan could have a material adverse effect on the Company's financial condition and/or financial performance.

The directors are of the opinion that it is appropriate to prepare the condensed consolidated interim financial statements for the nine months ended April 30, 2017 on a going concern basis. These condensed consolidated interim financial statements do not include any adjustments or disclosures that would be required if assets are not realized and liabilities and commitments are not settled in the normal course of operations. If the Company is unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in the condensed consolidated interim financial statements.

PATRIOT ONE TECHNOLOGIES INC.

(formerly Clear Mountain Resources Corp.)

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended April 30, 2017

(Unaudited)

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been omitted or condensed. These condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the audited financial statements of Patriot for the period from incorporation on March 7, 2016 to July 31, 2016 and should be read in conjunction with those financial statements.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on July 10, 2017.

(b) Basis of presentation and accounting

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Patriot One Detection Ltd.

All significant intercompany balances and transactions have been eliminated on consolidation.

(c) Functional and presentation currency

The functional currency of the Company is the Canadian dollar and these condensed consolidated interim financial statements are presented in Canadian dollars.

(d) Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis.

(e) Accounting assumptions, estimates and judgments

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results may differ from the estimates applied in the preparation of these interim financial statements.

Significant areas having estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include: share-based payments and consideration and valuation of assets and liabilities acquired in the Transaction (Note 4).

Critical judgments that management has made in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include: assessment of the Company's ability to continue as a going concern (Note 1) and determination of the classification of financial instruments.

PATRIOT ONE TECHNOLOGIES INC.

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Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended April 30, 2017

(Unaudited)

2. Basis of preparation (continued)

(f) Comparative figures

Certain comparative figures have been reclassified to conform to the current period's financial statement presentation.

3. New standards and interpretations not yet adopted

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's audited financial statements for the period ended July 31, 2016. There were no new standards effective August 1, 2016 that had an impact on the Company's interim financial statements. In addition to the new standards and interpretations not yet adopted in the Company's audited financial statements, the Company notes below the additional pronouncements during the period ended April 30, 2017.

On June 20, 2016, the IASB issued amendments to IFRS 2 clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively, retrospectively, or early application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the elements of IFRS 9 related to presentation of gains from changes in an entity's own credit risk can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

The IASB issued IFRS 15, *Revenue Recognition*, in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services.

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Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended April 30, 2017

(Unaudited)

3. New standards and interpretations not yet adopted (continued)

It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of assessing the impact of IFRS 15 and has not yet determined when it will adopt the new standard. The IASB issued IFRS 16, *Leases*, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company is in the process of assessing the impact of IFRS 16 and has not yet determined when it will adopt the new standard.

4. Acquisition of Patriot by way of Reverse take-over

On November 10, 2016, the Company completed the acquisition (the "Transaction") of Patriot, a private company principally engaged in the commercialization of a system to detect concealed weapons utilizing radar technologies. The system is an innovative radar technology providing first responders and security personnel valuable time in active threat scenarios. Under the terms of the Transaction, shareholders of Patriot exchanged 100% of the issued and outstanding shares in Patriot in exchange for 10,862,216 common shares with a fair value of \$1,629,332 of the Company. In addition, prior to the Transaction the Company consolidated its shares on a 20 for 1 basis from 24,468,337 common shares to 1,223,416 common shares and changed its name from Clear Mountain Resources Corp. to Patriot One Technologies Inc. Following the completion of the Transaction, the former shareholders of Patriot acquired control of the Company as they own a majority of the outstanding shares of the Company upon completion of the Transaction. Therefore, the Transaction constitutes a reverse take-over and Patriot is deemed to be the acquirer for accounting purposes with the net assets of the Company being recorded at fair value at the date of the Transaction.

The historical consolidated financial performance prior to the Transaction is that of Patriot.

Net assets (liabilities) acquired	
Cash	\$ 22,303
Other receivables	9,480
Prepaid expenses	9,333
Loan Payable	(10,000)
Trade payables	(188,601)
	\$ (157,485)
Consideration paid	
Share capital	\$ 1,629,332
Listing cost	(1,786,817)
	\$ (157,485)

As the Transaction was not considered a business combination, the excess of fair value of the consideration over the net assets of the Company is included in the consolidated statement of operations and comprehensive loss as listing costs for the nine months ended April 30, 2017. Listing cost in the amount of \$1,629,332 was recorded as the fair value of 10,862,216 shares issued on the Transaction and \$179,659 for net assets acquired and fees related to completing the Transaction.

PATRIOT ONE TECHNOLOGIES INC.

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Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited)

5. License, Assignment and Option Fees

On April 29, 2016, Patriot entered into an agreement with Bullrun Capital Inc. ("Bullrun") wherein Bullrun agreed to assign to Patriot its option (the "Option Agreement") to obtain from McMaster University ("McMaster") a worldwide exclusive license to use or cause to be used certain radar technology used to detect concealed weapons (the "License Agreement") invented, developed and/or acquired by McMaster. As consideration for the Option Agreement, Patriot paid Bullrun a fee of \$60,000 and granted Bullrun a 2% royalty (the "Bullrun Royalty") to be paid on net sales of all commercial products developed under the License Agreement between McMaster and the Company. This royalty payable to Bullrun would be in addition to any royalties to be paid to McMaster by the Company.

The Company exercised its option and entered into the License Agreement with McMaster. In consideration for the License Agreement, the Company paid an up-front license fee of \$10,000 and issued 1,560,000 common shares with a fair value of \$78,000 (Note 6). In addition, the Company agreed to pay a royalty of 3.5% on net sales and from time to time, issue common shares of the Company to McMaster so that in the aggregate, shares held by McMaster represent 5% of the Company's issued and outstanding common shares calculated on a fully diluted basis. Such issuance shall continue until and including the date upon which a total of \$2,000,000 in cash shall be received by the Company in exchange for the Company's capital stock. Thereafter, no additional shares shall be due to McMaster. In addition, the Company agreed to make minimum annual royalty payments as follows:

- | | |
|-------------------------------|---------|
| • first and second year | \$2,500 |
| • third year | \$5,000 |
| • fourth and subsequent years | \$7,500 |

On October 26, 2016, Patriot entered into an amended agreement with Bullrun wherein both parties set out their mutual understandings and conclusively recorded the terms and conditions with respect to the Bullrun Royalty. In the amended agreement, Bullrun agreed to an equal division of the Bullrun Royalty between Bullrun and Rajni Singhera ("Singhera") to be paid on net sales of licensed product in a calendar year, the amount of which is to be accrued and paid annually on March 31 of the following year. Payment of the Bullrun Royalty is subject to a minimum royalty threshold of \$100,000, the first payment of which is not payable until March 31, 2019 and then annually thereafter.

In the case where the Company's Board of Directors determines that the payment of the Bullrun Royalty would impact the ongoing operations of the Company, the annual payment for that year will be satisfied by the issuance of notes payable to Bullrun and Singhera which notes will mature two years from the date of issue and accrue interest at the Bank of Canada prime rate plus 3% per annum.

PATRIOT ONE TECHNOLOGIES INC.

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Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended April 30, 2017

(Unaudited)

6. Share capital

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares with no par value.

Issued and outstanding

The issued and outstanding share capital is as follows:

	Nine months ended April 30, 2017		Period from date of incorporation, March 6, 2016, to July 31, 2016	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of period	17,885,001	\$ 475,625	-	\$ -
Share issued for cash of incorporation	-	-	1	-
Shares issued for cash, net of share issue costs	20,775,589	2,801,632	16,325,000	397,625
Fair value of shares issued on Transaction (Note 4)	10,862,216	1,629,332	-	-
Shares issued on the exercise of warrants	9,460,077	1,693,684	-	-
Shares issued on the exercise of stock options	80,000	24,000	-	-
Shares issued for licensing fee	-	-	1,560,000	78,000
Balance at end of period	59,062,883	\$ 6,624,273	17,885,001	\$ 475,625

On March 7, 2016, Patriot issued 1 common share at a price of \$0.005 in connection with the incorporation of the Company.

On April 7, 2016, Patriot issued 100,000 common shares at a price of \$0.005 per common share for total proceeds of \$500.

On June 9, 2016, Patriot issued 9,025,000 common shares at a price of \$0.005 per common share for total proceeds of \$45,125.

On July 28, 2016, Patriot issued 1,560,000 common shares with a fair value of \$78,000 to McMaster University for licensing fees (Note 5).

On July 29, 2016, Patriot issued 7,200,000 units at a price of \$0.05 per unit for total proceeds of \$360,000. Each unit is comprised of one common share and one share purchase warrant. Each common share purchase warrant is exercisable at \$0.10 per common share for a period of two years.

On August 22, 2016, Patriot issued 5,074,924 units at a price of \$0.15 per unit for total proceeds of \$761,240. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant is exercisable at \$0.30 per common share for a period of two years. The Company paid broker fees of \$64,899 and the cost of the Financing was deducted from the value of the common shares.

Pursuant to the Transaction, (Note 4) the Company issued 10,862,216 common shares with a fair value of \$1,629,332.

PATRIOT ONE TECHNOLOGIES INC.

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Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended April 30, 2017

(Unaudited)

6. Share capital (continued)

Pursuant to the Transaction (Note 4) the Company completed a non-brokered private placement of 15,700,665 units at an issue price of \$0.15 per unit, for aggregate gross proceeds of \$2,355,100 (the "Financing"). Each unit is comprised of one common share of the Company and one Company share purchase warrant entitling the holder to acquire one Company common share at a price of \$0.30 for a period of two years, subject to certain acceleration conditions at the option of the Company. The Company paid broker fees of \$184,308 and issued 1,224,852 broker warrants exercisable at \$0.30 per common share for a period of two years with a fair value of \$65,500. The cost of the Financing was deducted from the value of the common shares. The fair value of the broker warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life	2 years
Expected volatility in market price of shares	100.0%
Expected dividend rate	0%
Risk-free interest rate	0.62%
Weighted average fair value per option granted	\$ 0.054

Following the Financing and pursuant to the Transaction, all Patriot common shares, share purchase warrants and stock options were exchanged for common shares, share purchase warrants and stock options of the Company on a one for one basis. Based upon the equity issued by the Company to Patriot, the transaction was determined to be a reverse takeover (Note 4). As such, the accounts of Patriot continue as the reported accounts of the entity. In total, the Company issued 22,959,925 common shares, 12,724,924 share purchase warrants and 3,825,000 stock options to Patriot securityholders.

Warrants

Warrant activity is as follow:

	Nine months ended April 30, 2017		Period from date of incorporation, March 7, 2016, to July 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance at beginning of period	7,200,000	\$ 0.10	-	\$ -
Issued	31,839,271	0.27	7,200,000	0.10
Exercised	(9,460,077)	0.18	-	-
Balance at end of period	29,579,194	\$ 0.26	7,200,000	\$ 0.10
Balance exercisable at end of period	28,658,464	\$ 0.26	7,200,000	\$ 0.10

PATRIOT ONE TECHNOLOGIES INC.

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Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended April 30, 2017

(Unaudited)

6. Share capital (continued)

Warrants (continued)

As at April 30, 2017, outstanding warrants are as follows:

Number of Warrants Outstanding	Weighted Average Exercise Price	Expiry Date	Weighted Average Life Remaining (months)
3,660,000	\$0.10	29-Jul-18	15.0
4,734,954	\$0.30	22-Aug-18	15.5
15,648,185	\$0.30	09-Nov-18	18.5
5,336,055	\$0.20	27-Jun-19	26.0
200,000	\$1.00	18-Nov-20	42.5
29,579,194			19.1

Stock options

The Company offers an incentive stock option plan that provides for the granting of options up to 10% of its issued and outstanding common shares to directors, officers, employees and consultants. The exercise price of each option is equal to the quoted market price of the Company's common shares on the trading day immediately preceding the date of grant and the maximum term is ten years.

The stock option activity is as follow:

	Nine months ended April 30, 2017		Period from date of incorporation, March 7, 2016, to July 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of period	-	\$ -	-	\$ -
Granted	4,275,000	0.31	-	-
Exercised	(80,000)	0.30	-	-
Cancelled	(200,000)	0.185	-	-
Balance at end of period	3,995,000	\$ 0.32	-	\$ -
Balance exercisable at end of period	2,285,000	\$ 0.39	-	\$ -

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Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended April 30, 2017

(Unaudited)

6. Share capital (continued)

Stock options (continued)

Details of the outstanding stock options are as follows:

Exercise price	Number of options outstanding at April 30, 2017	Weighted average remaining life (months)	Expiry Date
\$ 0.185	1,250,000	51.0	October 3, 2021
\$ 0.30	1,895,000	51.0	October 3, 2021
\$ 0.30	650,000	53.0	August 1, 2021
\$ 1.44	200,000	43.5	December 14, 2020
	3,995,000	52.2	

During the three and nine months ended April 30, 2017, the Company recognized share-based compensation related to stock options of \$53,436 and \$420,576, respectively. The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life	5 years
Expected volatility in market price of shares	100.0%
Expected dividend rate	0%
Risk-free interest rate	0.87%
Weighted average fair value per option granted	\$ 0.10

Loss per share

Stock options and warrants are not included in the determination of fully diluted loss per share for the three and nine months ended April 30, 2017 as these instruments are anti-dilutive.

Escrow securities

Pursuant to a TSX-V Form 5D Escrow Agreement among the Company, TSX Trust Company and certain securityholders of the Company, a total of 10,148,001 shares, 1,023,000 share purchase warrants, and 2,100,000 incentive stock options of the Company (collectively the "Escrowed Securities") were to be held in escrow. The Escrowed Securities are to be released at 10% on the date of the Transaction and an additional 15% every six months thereafter with the final tranche being released on November 10, 2019. As at April 30, 2017, 9,133,201 common shares, 720,700 share purchase warrants, and 1,485,000 incentive stock options of the Company are being held in escrow.

PATRIOT ONE TECHNOLOGIES INC.

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Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended April 30, 2017

(Unaudited)

7. Related party transactions

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole.

The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

Key management compensation incurred with related parties during the three and nine months ended April 30, 2017 was \$152,386 and \$365,716, respectively, relating to management fees paid to officers and directors of the Company or to companies controlled by officers and directors of the Company.

As at April 30, 2017 accounts and other receivables includes \$Nil (July 31, 2016 - \$30,166) due from a company controlled by a former director of the Company for expenses paid by the Company.

As at April 30, 2017 accounts payable and accrued liabilities includes \$26,537 (July 31, 2016 - \$5,040) due to directors and officers of the Company or to companies controlled by directors and officers of the Company.

8. Supplemental Cash Flow Information

Non-cash activities during the nine months ended April 30, 2017 were conducted by the Company as follows:

Fair value of 10,862,216 common shares issued (Note 4)	\$1,629,332
Fair value of broker warrants (Note 6)	\$ 65,500
Transfer of Contributed Surplus on exercise of broker warrants	\$ 13,925

9. Commitments

Operating lease commitments

The Company is committed to various operating leases for office premises with remaining terms up to January 2019. For the fiscal periods ended July 31, the future minimum lease payments under these operating leases are as follows:

2017	\$ 17,225
2018	86,123
2019	51,674
	155,022

PATRIOT ONE TECHNOLOGIES INC.

(formerly Clear Mountain Resources Corp.)

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended April 30, 2017

(Unaudited)

10. Subsequent events

Subsequent to April 30, 2017, the Company:

- a. granted stock options to allow the holders to acquire 1,415,000 common shares at \$0.65 per share for five years;
- b. issued 1,194,333 common shares for cash of \$358,300 on the exercise of warrants and 128,500 common shares for cash of \$27,050 on the exercise of stock options; and
- c. announced that it has received final TSX Venture Exchange approval of the Special Warrant financing (the "Offering") previously announced on June 14, 2017. Closing of the Offering is expected to occur by July 14, 2017. Canaccord Genuity Corp. acted as lead agent under the Offering (the "Agent"). The Agent exercised the over-allotment option granted to it by the Company and, along with its syndicate members, sold 6,612,500 Special Warrants at a price of \$0.70 per Special Warrant for gross proceeds of \$4,628,750.

Each Special Warrant not previously exercised will be automatically exercised, without payment of additional consideration, on the earlier of: (i) the Qualification Deadline (as defined below); and (ii) the third business day after the Prospectus Qualification (as defined below). The holders of Special Warrants will receive, upon such automatic exercise, for no additional consideration, one unit of the Company (a "Unit") for each Special Warrant held. Each Unit will be comprised of one common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to purchase one common share of the Company at an exercise price of \$1.25 for a period of 36 months from the date of closing of the Offering.

The Company has agreed to use its best efforts to obtain a receipt for a final short form prospectus qualifying the distribution of the Units upon exercise of the Special Warrants (the "Prospectus Qualification") on or before the date that is 45 days following closing of the Offering (the "Qualification Deadline"). If the Prospectus Qualification does not occur before the Qualification Deadline, each holder shall be entitled to receive, without payment of additional consideration, 1.05 Units per Special Warrant. Unless the Prospectus Qualification occurs, securities issued in connection with the Offering will be subject to a four month hold period from the date of issue. The Company intends to use the net proceeds of the Offering to fund international expansion, accelerate deployment of its technology and for general corporate purposes.

Pursuant to the Agency Agreement among the Agent, Mackie Research Capital Corporation and the Company that will be executed on closing of the Offering, the Agent will receive 7.0% of aggregate gross proceeds of the Offering (less that portion of the fee taken in Special Warrants as set out below) and a cash corporate finance fee of \$37,500. In addition, the Agent will receive the following securities:

- i. 32,250 Special Warrants with the same terms as the Special Warrants sold under the Offering;
- ii. Broker Special Warrants equal to 7.0% of the number of Special Warrants sold under the Offering. Each Broker Special Warrant is convertible into Broker Warrants. The Broker Warrants are exercisable into common shares of the Company at an exercise price of \$1.00 per common share, at any time up to 36 months following the closing of the Offering; and
- iii. 53,572 Corporate Finance Special Warrants convertible into common shares of the Company at a deemed price of \$0.70 per common share.