

Financial Statements of

SENTERNET TECHNOLOGIES INC.

Years ended December 31, 2013 and 2012

INDEPENDENT AUDITORS' REPORT

To the shareholders of: Senternet Technologies Inc.

We have audited the accompanying financial statements of Senternet Technologies Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2013 and December 31, 2012 and the income statements, statements of changes in equity and cash flow statements for the years ended December 31, 2013 and December 31, 2012.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors' 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 the Company as of December 31, 2013, and December 31, 2012 and of its financial performance and its cash flows for the years ended December 31, 2013, and December 31, 2012 in accordance with International Financial Reporting Standards.

John Scholz CPA CA
February 14, 2014
Toronto

Senternet Technologies Inc.

BALANCE SHEET

	December 31, 2013	December 31, 2012
Assets		
Current:		
Cash	\$ 288	\$ 25
Accounts receivable	<u>7,109</u>	<u>486</u>
	7,397	511
 Marketable Securities		
(100,000 common shares – All World Resources Corp. at nominal value)	<u>1</u>	<u>1</u>
	<u>\$ 7,398</u>	<u>\$ 512</u>
 Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,668	\$215,308
Due to related parties (Note 4)	<u>438,783</u>	<u>-</u>
	<u>\$447,451</u>	<u>\$215,308</u>
 Capital Deficiency:		
Capital Stock		
Authorized:		
Unlimited common shares		
Issued:		
6,694,330 common shares	3,036,071	3,036,071
Deficit	<u>(3,476,124)</u>	<u>(3,250,867)</u>
	<u>(440,053)</u>	<u>(214,796)</u>
	<u>\$ 7,398</u>	<u>\$ 512</u>

Senternet Technologies Inc.

STATEMENTS OF EARNINGS

Years ended December 31, 2013 and 2012

	12 months ended December 31, 2013	12 months ended December 31, 2012
Results from operating activities:		
Revenue	\$ -	\$ -
Administrative expenses	<u>(225,257)</u>	<u>(29,668)</u>
Net loss	(225,257)	(29,668)
Other comprehensive loss	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>\$ (225,257)</u>	<u>\$ (29,668)</u>
Net loss per share (basic and diluted)	<u>\$ (0.03)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>6,694,330</u>	<u>6,694,330</u>

Senternet Technologies Inc.

STATEMENTS OF RETAINED EARNINGS

Years ended December 31, 2013 and 2012

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Equity
Balance, January 1, 2012	\$ 3,036,071	\$ -	\$ (3,221,199)	\$ -	\$ (185,128)
Total comprehensive income income (loss) for the year					
Loss for the year	<u>-</u>	<u>-</u>	<u>(29,668)</u>	<u>-</u>	<u>(29,668)</u>
Balance, December 31, 2012	3,036,071	-	(3,250,867)	-	(214,796)
Total comprehensive income income (loss) for the year					
Loss for the year	<u>-</u>	<u>-</u>	<u>(225,257)</u>	<u>-</u>	<u>(225,257)</u>
Balance, December 31, 2013	<u>\$ 3,036,071</u>	<u>\$ -</u>	<u>\$ (3,476,124)</u>	<u>\$ -</u>	<u>\$ (440,053)</u>

Senternet Technologies Inc.

STATEMENT OF CASH FLOWS

Years ended December 31, 2013 and 2012

	December 31, 2013	December 31, 2012
Cash provided by (used in) operating activities:		
Net income (loss)	<u>\$ (225,257)</u>	<u>\$ (29,668)</u>
Funds used in operations	(225,257)	(29,668)
Net change in non-cash working capital	<u>225,520</u>	<u>29,655</u>
	<u>263</u>	<u>(13)</u>
Net change in cash	263	(13)
Cash balance, beginning of period	<u>25</u>	<u>38</u>
Cash balance, end of period	<u>\$ 288</u>	<u>\$ 25</u>

Senternet Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012

1. FUTURE OPERATIONS

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company has sustained losses in recent years and has accumulated a deficit of \$3,476,124 at December 31, 2013. The ability of the Company to continue as a going concern is dependent on the Company's ability to generate future profitable operations and receive the continued financial support of the shareholders and obtain additional financing.

The financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying values of the assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Company comply with International Financial Reporting Standards ("IFRS").

Basis of preparation

The financial statements are presented in Canadian dollars.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments held for trading and financial instruments classified as available-for-sale.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements for the purpose of transition to IFRS.

Changes in accounting policy and disclosures (IAS 8)

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- *Earnings per Share* [replacement of IAS 33].
- *First-time Adoption of IFRS* [amendment of IFRS 1].
- *Management Commentary*.

Senternet Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012

Future changes in accounting policies

The following standards have been issued but are not yet effective:

- *Financial Statement Presentation* [amendment of IAS 1]
- *Liabilities and Equity* [replacement of IAS 32]
- *Revenue Recognition* [replacement of IAS 11 and IAS 18]

The Company is currently evaluating the impact of the above standards on its financial performance, position and financial statement disclosures but expects that such impact will not be material.

Foreign currency translation (IAS 21)

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. All foreign currency adjustments are expensed, apart from adjustments on borrowing in foreign currencies, constituting a hedge for the net investment in a foreign entity. These adjustments are allocated directly to equity until the divestiture of the net investment.

Financial statements of subsidiaries, affiliates and joint ventures for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the period-end exchange and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in equity.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Cash and cash equivalents (IAS 7)

The “cash and cash equivalents” category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities greater than three months without early redemption feature and bank accounts subject to restrictions, other than restrictions due to regulations specific to a country or activity sector (exchange controls, etc.) are not presented as cash equivalents but as financial assets. Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Senternet Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012

Derivative financial instruments (IAS 39)

The Company infrequently uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives are accounted for as trading instruments as they do not qualify for hedge accounting.

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss.

Share capital (IAS 1)

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from total equity.

Trade and other payables

Trade and other payables are stated cost.

Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options using the treasury stock method.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results would differ from those estimates.

Senternet Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012

Share-based compensation (IFRS 2)

The Company maintains stock option incentive plans that grant subscription and purchase options on its common shares to certain senior executives and employees and also to certain employees of equity affiliates. The purpose of these stock option plans is to align management interests with those of the shareholders by providing an additional incentive to improve company performance and increase the share price on a long-term basis. The grant of stock option plans represents a benefit given to management, employees and retirees and constitutes additional compensation borne by the Company. This is valued at the fair value of the Company's stock options. The compensation expense is equal to the value of the option at grant date, measured using a binomial model. This compensation paid is recorded as an employee cost, offset against equity, and recognized over the vesting period of the benefit granted.

The dilutive effect of the stock option plans in the process of vesting for management and employees is reflected in the calculation of the diluted earnings per share.

Deferred taxes (IAS 12)

Differences existing at closing date between the tax base value of assets and liabilities and their carrying amount in the consolidated balance sheet form temporary differences. Pursuant to the liability method, these temporary differences impact the accounting as follows:

- Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.
- Deferred tax assets are recognized for all deductible temporary differences, carry-forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact neither earnings, nor tax income or loss.
- For deductible temporary differences arising from investments in subsidiaries, affiliates and joint ventures, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and that taxable profit will be available against which the temporary difference can be utilized.

Senternet Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012

- The carrying amount of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is notably taken of prior year results, forecast future results, non-recurring items unlikely to

occur in the future and the tax strategy. As such, the assessment of the Company's ability to utilize tax losses carried forward is to a large extent judgment-based. If the future taxable results of the Company prove significantly different to those expected, the Company will be obliged to increase or decrease the carrying amount of deferred tax assets, with a potentially material impact on the balance sheet and the income statement of the Company. Deferred tax liabilities are recognized for all taxable temporary differences, except tax purposes, or initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact neither earnings, nor tax income or loss.

- For taxable temporary differences arising from investments in subsidiaries, affiliates and joint ventures, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied:
the parent, investor or venture is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.
- Current tax and deferred tax shall be charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

3. INCOME TAXES

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. Management considers future taxable income uncertainties related to the industry in which the Company operates and tax planning strategies in making this assessment. The income tax benefit in the statements of operations and comprehensive income differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of 36% for the years ended December 31, 2013 and 2012 to loss for the year.

	2013	2012
Income tax recovery based on statutory rate	\$ (1,239,120)	\$ (1,158,026)
Unrecorded tax benefit of losses	<u>1,239,120</u>	<u>1,158,026</u>
	<u>\$ -</u>	<u>\$ -</u>

Senternet Technologies Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012

4. RELATED PARTY TRANSACTIONS

During the year, the Company paid \$23,130 to companies controlled by directors for administration, accounting and office services (2012 - \$28,474).

An additional \$200,000 was invoiced by a company controlled by directors for services rendered in relation to business development and potential acquisitions (2012 – NIL).

During the year, the companies controlled by directors agreed to defer payment of accounts payable to them of \$438,783 to no earlier than January 1, 2015.

5. STOCK OPTIONS

The Company maintains a share option plan (the “Plan”) for the benefit of management, directors, officers and employees. The Plan provides that the aggregate number of common shares available for issuance pursuant to options granted under the Plan is limited to 5,000,000 common shares. In general, the maximum number of common shares reversed for issuance in respect of any one individual may not exceed 5.0%, or in respect of insiders of the Company, may not exceed 10.0% of the number of common shares issued and outstanding.

Options are granted under the Plan at the discretion of the Board of Directors at exercise prices determined as the trading prices of the Company’s common shares on the day preceding the effective date of the grant. In general, options granted under the Plan vest over the period of up to a maximum of five years from the grant date and expire no later than the fifth anniversary of the date of grant. As of the balance sheet date, there are no stock options issued or outstanding.

6. SUBSEQUENT EVENTS

By Articles of Amendment dated January 22, 2014, the Company’s name was changed to Senternet Phi Gamma Inc.

At an Annual and Special Meeting of Shareholders dated May 15, 2013, a return of capital was approved by the issue of four common shares for each common shares held. This was completed subsequent to the date of these financial statements. This increases the number of common shares issued to 33,471,650.

The Company entered into an agreement dated January 27, 2014 to design a TMItac key fob with an arms-length party. Under the terms of agreement, the Company is to pay \$116,602.44 (\$103,188.00 + \$13,414.44 HST) on the following terms:

\$25,000.00 on entering the agreement (paid)
\$45,000.00 on February 28, 2014 (paid)
\$30,000.00 on March 31, 2014
\$16,602.44 upon delivery