

**Senternet Phi Gamma Inc.**  
**Financial Statements**  
**December 31, 2015 and 2014**

## Management's Responsibility for Financial Reporting

To the Shareholders of Senternet Phi Gamma Inc. (the "Company"):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

To discharge its responsibilities for financial reporting and safeguarding of assets, management depends on the Company's systems of internal accounting control which management develops and maintains. These systems are designed to provide reasonable cost effective assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and for review and approving the financial statements. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board.

The Audit Committee meets periodically with management and the external auditors to satisfy itself that each is properly discharging its responsibilities, to review significant accounting and reporting matters and to review the financial statements. The Audit Committee reports its findings and recommends the approval of the financial statements to the Board. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

Zeifmans LLP, an independent firm of Chartered Professional Accountants, is appointed to audit the financial statements and report directly to the shareholders; their report follows. The external auditors have full and fee access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

May 2, 2016

(signed)

"Abraham Arnold"

Director

"Moe Wortzman"

Director



## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of Senternet Phi Gamma Inc.

We have audited the accompanying financial statements of Senternet Phi Gamma Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2015 and the statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the year 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 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 auditors consider internal control relevant to the Company'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 Company'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 at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 2, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

### **Other Matter**

The financial statements of the Company as at December 31, 2014 and for the year then ended were audited by other auditors who expressed an opinion without reservation under Canadian generally accepted auditing standards on those statements in their report dated May 5, 2015.

Toronto, Canada  
May 2, 2016

*Zeifmans LLP*  
Chartered Accountants  
Licensed Public Accountants

**Senternet Phi Gamma Inc.**  
(Incorporated under the Laws of Ontario)  
**STATEMENTS OF FINANCIAL POSITION**  
EXPRESSED IN CANADIAN DOLLARS  
AS AT DECEMBER 31,

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,307	\$ 7,795
Amounts receivable	2,500	-
Marketable securities	1	1
	<u>5,808</u>	<u>7,796</u>
<b>Other</b>		
Intangible asset (note 4)	-	424,818
	<u>-</u>	<u>424,818</u>
<b>Total Assets</b>	<b>\$ 5,808</b>	<b>\$ 432,614</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 121,752	\$ 127,930
Due to related parties (note 5)	197,266	535,454
	<u>319,018</u>	<u>663,384</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 6)	3,490,889	3,490,889
Deficit	(3,804,099)	(3,721,659)
	<u>(313,210)</u>	<u>(230,770)</u>
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 5,808</b>	<b>\$ 432,614</b>

**Approved and authorized by the Board on May 2, 2016:**

"Abraham Arnold"  
Director

"Moe Wortzman"  
Director

The accompanying notes are an integral part of these financial statements

**Senternet Phi Gamma Inc.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**EXPRESSED IN CANADIAN DOLLARS**  
**YEARS ENDED DECEMBER 31,**

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	<b>2015</b>	<b>2014</b>
<b>OPERATING EXPENSES</b>		
Administrative expenses (note 5)	\$ 16,831	\$ 38,925
Impairment of intangible asset (note 4)	375,947	
Research expense (recovery) (note 5)	<u>(310,338)</u>	206,610
	82,440	245,535
<b>Net loss and comprehensive loss for the year</b>	<u>\$ (82,440)</u>	<u>\$ (245,535)</u>
<b>Loss per common share - Basic and Diluted</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted average number of shares outstanding</b>		
<b>- Basic and Diluted</b>	<u>55,485,248</u>	<u>55,485,248</u>

The accompanying notes are an integral part of these financial statements

**Senternet Phi Gamma Inc.**  
**STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**  
**EXPRESSED IN CANADIAN DOLLARS**  
**YEARS ENDED DECEMBER 31,**

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	Number of Shares (note 6)	Share Capital	Deficit	Total Equity (Deficiency)
Balance at December 31, 2013	33,471,650	\$ 3,036,071	\$ (3,476,124)	\$ (440,053)
Shares issued for cash	1,452,028	30,000	-	30,000
Share based payments	20,561,570	424,818	-	424,818
Net loss and comprehensive loss for the year	-	-	(245,535)	(245,535)
Balance at December 31, 2014	55,485,248	3,490,889	(3,721,659)	(230,770)
Net loss and comprehensive loss for the year	-	-	(82,440)	(82,440)
Balance at December 31, 2015	55,485,248	\$ 3,490,889	\$ (3,804,099)	\$ (313,210)

The accompanying notes are an integral part of these financial statements

**Senternet Phi Gamma Inc.**  
**STATEMENTS OF CASH FLOWS**  
**EXPRESSED IN CANADIAN DOLLARS**  
**YEARS ENDED DECEMBER 31,**

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	<u>2015</u>	<u>2014</u>
<b>Cash (used in) provided by operating activities:</b>		
Net loss and comprehensive loss for the year	<u>\$ (82,440)</u>	<u>\$ (245,535)</u>
Items not involving cash:		
Write off of intangible asset (note 4)	(375,947)	-
Reversal of expenses (note 5)	370,172	-
Change in non-cash working capital items		
Amounts receivable	(2,500)	7,109
Accounts payable	95,167	119,262
Cash flows used in operating activities	<u>4,452</u>	<u>(119,164)</u>
<b>Cash flows provided by financing activities:</b>		
Increase (decrease) in due to related parties	(8,940)	126,671
Cash flows provided by financing activities	<u>(8,940)</u>	<u>126,671</u>
<b>Net change in cash</b>	<b>(4,488)</b>	<b>7,507</b>
<b>Cash balance, beginning of period</b>	<u><b>7,795</b></u>	<u><b>288</b></u>
<b>Cash balance, end of period</b>	<u><u><b>\$ 3,307</b></u></u>	<u><u><b>\$ 7,795</b></u></u>

The accompanying notes are an integral part of these financial statements



# Senternet Phi Gamma Inc.

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2015 AND 2014

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#### **1. NATURE OF OPERATIONS**

Senternet Phi Gamma Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) on March 28, 1967 as Northville Explorations Ltd. On January 22, 2014 the Company changed its name to its present name. In the prior year, the principal business of the Company was the development and design of a TMItrac key fob (the "Key Fob") which was designed to use a four-step authentication solution to secure and protect personal and private data on smart devices. During 2015 the Company largely ceased development of the Key Fob (see note 4) and currently has no business activity.

The head office of the Company is located at 501-80 Richmond Street West, Toronto, Ontario M5H 2A4.

The Company does not have any subsidiaries or operating segments.

#### **2. Going Concern Assumption**

The financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not generated any ongoing income nor cash flows from operations, there is significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing and to establish profitable operations. The carrying amount of assets, liabilities, revenues and expenses presented in the financial statements have not been adjusted as would be required if the going concern assumption was not appropriate.

#### **3. Significant Accounting Policies**

##### **Basis of presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB")

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments and certain impaired non-financial assets.

The policies in these financial statements are based on IFRS issued and outstanding as of May 2, 2016, the date the Board of Directors approved the financial statements

# Senternet Phi Gamma Inc.

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2015 AND 2014

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### 3. Significant Accounting Policies (cont'd...)

#### Significant accounting judgments, estimates and assumptions

##### Estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are: deferred taxes, fair value of assets and liabilities, share based payments.

##### Judgments

In the process of applying the Company's accounting policies, management makes the following judgments, as applicable, apart from those involving estimates, which have the most significant effect on the amounts recognized in the financial statements:

##### **Deferred taxes**

The Company recognizes deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and that sufficient taxable income will be generated in the future to recover such deferred tax assets. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize a net deferred tax asset recorded at the statements of financial position date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

##### **Fair value of assets and liabilities**

The estimated fair value of assets and liabilities, by their very nature, are subject to measurement uncertainty. Accounts payable and accrued liabilities are current and their fair value is assessed at the end of each reporting period.

##### **Share based payments**

Share based payments are based upon expected volatility, option life and estimated forfeiture rates that require significant judgment in their assessment.

# Senternet Phi Gamma Inc.

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2015 AND 2014

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### 3. Significant Accounting Policies (cont'd...)

#### Cash

Cash include funds in corporate bank accounts.

#### Stock-based compensation

The Company grants stock options to buy common shares of the Company through its stock option plan as described in note 6(c). The Company accounts for share-based payments using the fair value method. Under this method, compensation expense is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options.

#### Comprehensive income (loss)

Comprehensive income (loss) is the change in shareholders' equity (deficiency) that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments. Certain gains and losses are presented in other "comprehensive income" until it is considered appropriate to recognize them into net income (loss).

#### Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

#### Financial instruments

##### Financial assets

Financial assets are classified into one of four categories:

- a) Fair value through profit or loss ("FVTPL");
- b) Held-to-Maturity ("HTM");
- c) Loans and receivables; or
- d) Available for sale ("AFS").

##### Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is measured at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are classified as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss. The Company classifies its cash and cash equivalents and marketable securities as FVTPL.

# Senternet Phi Gamma Inc.

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2015 AND 2014

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### 3. Significant Accounting Policies (cont'd...)

#### Financial instruments (cont'd...)

##### Held to maturity (“HTM”)

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of loss and comprehensive loss. Currently, the Company has no HTM assets.

##### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company classified its amounts receivable as loans and receivables.

##### Available for sale (“AFS”)

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in accumulated other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from other comprehensive income and recognized in the statements of loss and comprehensive loss. Currently, the Company has no AFS assets.

##### Financial liabilities

Financial liabilities are classified into one of two categories:

- a) Fair value through profit or loss; or
- b) Other financial liabilities

##### Fair value through profit or loss

This category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with the changes in fair value recognized in the statements of loss and comprehensive loss.

##### Other financial liabilities

This category includes accounts payable and accrued liabilities and due to related parties, all of which are recognized at amortized cost.

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

# Senternet Phi Gamma Inc.

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2015 AND 2014

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### 3. Significant Accounting Policies (cont'd...)

#### Financial instruments (cont'd...)

For all financial assets objective evidence of impairment could include:

- a) significant financial difficulty of the issuer or counterparty; or
- b) default or delinquency in interest or principal payments; or
- c) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case it is recognized in equity or other comprehensive income (loss).

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

Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; differences relating to investments in subsidiaries 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 statements of financial position date.

# Senternet Phi Gamma Inc.

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2015 AND 2014

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#### 3. Significant Accounting Policies (cont'd...)

##### Income taxes (cont'd...)

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.

##### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

##### Intangible assets

Intangible assets are initially measured at cost and reported using the cost model. Under this method after initial recognition, the intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses.

##### Impairment of non-current assets

The Company indefinite life intangible assets are recorded at their cost which represents the fair value at the acquisition date. They are not subject to amortization and are tested for impairment annually or more frequently when indicated by changes in events or circumstances. An impairment of an indefinite life intangible asset is recorded when, and to the extent that, the carrying value of an indefinite life intangible asset exceeds the recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and its value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of loss and comprehensive loss so as to reduce the carrying amount to its recoverable amount. Impairment losses related to continuing operations are recognised in the statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

# Senternet Phi Gamma Inc.

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2015 AND 2014

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### 3. Significant Accounting Policies (cont'd...)

#### Impairment of non-current assets (cont'd...)

For assets excluding goodwill and indefinite life intangibles, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statements of income (loss) and comprehensive income (loss). Impairment losses recognised in relation to goodwill or indefinite life intangibles are not reversed for subsequent increases in their recoverable amount.

#### Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB. The standards that are applicable to the Company are as follows:

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. The Company has not yet determined the impact of the amendments on the Company's financial statements.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”). In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted. The Company has not yet determined the impact of the amendments on the Company's financial statements.

# Senternet Phi Gamma Inc.

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2015 AND 2014

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#### 3. Significant Accounting Policies (cont'd...)

##### Recent accounting pronouncements (cont'd...)

IFRS 16 – Leases (“IFRS 16”). On January 13, 2016, the IASB issued IFRS 16 *Leases* (“IFRS 16”), which requires entities to recognize lease assets and lease obligations on the balance sheet. This new standard has not yet been issued by Chartered Professional Accountants of Canada. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are “capitalized” by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019. The Company has not yet determined the impact of the amendments on the Company’s financial statements.

#### 4. Intangible Asset

On January 27, 2014 the Company entered into an agreement with NeuronicsWorks Inc., an arm’s length party, to design the Key Fob. A separate agreement was undertaken between the Company and 1370383 Ontario Ltd. (“1370383”) and/or their nominees to issue common shares for the right to purchase the Key Bob technology as of December 31, 2014 in exchange for 20,561,570 common shares at a value of \$424,818. These common shares were issued and are still currently held by 1370383 and their nominees. The Key Fob was believed to be a unique multifunctional device that would track mobile smart devices located within certain proximity and warn the device user of its separation from the device.

The asset was determined to have an indefinite useful life and no amortization was recorded for the year ended December 31, 2014. In March 2015 it became apparent to management that the Company would not be able to develop the Key Fob technology under the established design parameters and prototypes. Accordingly, the Company wrote down the intangible asset to its recoverable amount of \$nil being its value in use effective December 31, 2015.



Senternet Phi Gamma Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2015 AND 2014

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**5. Related Parties Transactions**

The following are balances with related parties, included in the financial statements:

	2015	2014
Advances from Heritage Transfer Agency Inc. ("Heritage") a company controlled by a director of the Company, due on demand, unsecured and non-interest bearing (a) (d)	\$80,206	\$73,782
Advances from director, without interest, security or stated terms of repayment (d)	25,560	-
Advances from Fastcorp Management Ltd. ("FCM") and Fastcorp Computers Ltd. ("FCC") (together the "Fastcorp Group") companies controlled by a former director of the Company, due on demand, unsecured and non-interest bearing (b)	-	363,706
Advances from 1370383 Ontario Ltd., a company controlled by a shareholder exercising significant influence over the Company due on demand, unsecured and non-interest bearing.	91,500	91,500
Advances from Prime Small Business Development Ltd. ("Prime"), a company controlled by a director of the Company, due on demand, unsecured and non-interest bearing (c)	-	7,580
	<u>\$197,266</u>	<u>\$535,454</u>

The following are related party transactions reflected in these financial statements (see also note 4):

- a) During the year, Heritage acquired ownership of an outstanding third party loan for \$15,000 (plus interest of 5% per annum). Interest expense incurred with Heritage for the year was \$353 (2014 - \$nil). The balance of the amount owing to Heritage is without interest. During the year, the Company incurred \$5,424 (2014 - \$5,424) with Heritage for transfer agency services.
- b) During the year, the Company incurred \$nil with the Fastcorp Group for administration, accounting and office services (2014 - \$93,868). The Fastcorp Group was wholly owned by Ronald Haller, a former director of the Company who resigned effective December 1, 2015. FCM previously provided accounting services and FCC previously provided electronic filing services for the Company. Effective March 15, 2016 both FCM and FCC were adjudged bankrupt and the Trustee of the Fastcorp Group ruled that there were no amounts owing between the Company and the Fastcorp Group. As a result the full amount owing of \$371,255 less HST recognized, was recorded as a recovery of expenses in the statements of loss and comprehensive loss.
- c) Prime forgave this amount during the year, which has been offset against administrative expenses.
- d) At December 31, 2015, a director and a company controlled by a director, as described above, agreed to defer payments of related party amounts payable.

Senternet Phi Gamma Inc.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

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**6. Capital Stock**

a) Authorized share capital:

Unlimited number of common shares without par value

b) Issued and outstanding (note 4) (giving retroactive effect to a 5 for 1 share exchange during 2014):

	<b>Number of Shares</b>		<b>Amount</b>
Balance at December 31, 2013	33,471,650	\$	3,036,071
Issued during the year	22,013,598		454,818
Balance at December 31, 2014 and 2015	55,485,248	\$	3,490,889

c) Stock option plan:

The Company maintains a share option plan (the "Plan") for the benefit of management, directors, officers, employees, and service providers. 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% or in respect of insiders of the Company, may not exceed 10% 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 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 a period of up to a maximum of five years from the grant date and expire no later than the fifth anniversary of the grant date of April 7, 2014. As of the balance sheet date, there are 1,500,000 options issued to a service provider at an exercise price of \$.05 expiring on April 7, 2019. 375,000 options vested in equal amounts on April 7, 2014, October 7, 2014 and April 7, 2015 and a further 375,000 options vested on October 7, 2015. These options are currently outstanding as of the financial statement date and the value of these options have been determined to have only nominal value.

The share options were priced using the Black-Scholes option-pricing model as at the date of the grant assuming a five year term to maturity with an expected volatility 103%, an expected dividend yield of 0% and a risk free interest rate of 0.59%.

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#### **7. Financial Instruments and Risk**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

At December 31, 2015 and 2014, the Company's financial instruments consist of cash, amounts receivable, marketable securities, accounts payable and accrued liabilities and due to related parties. The fair values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term maturity of this instrument. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

The Company is exposed to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

##### **Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution. Management believe that the credit risk concentration with respect to these financial instruments is minimal.

##### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's cash and cash equivalents are currently invested in business accounts which are available on demand by the Company for its operations.

##### **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. With respect to financial assets, the Company is not exposed to significant interest rate risk

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**8. Income Taxes**

In assessing the realizability of future tax assets, management considers whether it is probable 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 in the years in which those temporary differences become deductible. The income tax benefit in the statements of loss and comprehensive loss differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of 26.50% for the years ended December 31, 2015 (2014-26.50%) to loss for the year.

	<u>2015</u>	<u>2014</u>
Income tax recovery based on statutory rate	\$ (21,847)	\$ (65,067)
Change in valuation allowance	12,027	65,067
Other	<u>9,820</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

As at December 31, 2015, the deferred tax assets of \$254,470 (\$242,443 as at December 31, 2014) has not been recognized because at this stage of the Company's development, management is unable to establish that it is probable that taxable income will be generated against which the Company will utilize such amounts. The Company's unrecognized deferred tax assets are as follows:

	<u>2015</u>	<u>2014</u>
Non capital loss carry forward	\$ 35,448	\$ 117,663
Scientific Research & Experimental Development pool	143,646	49,404
Investment tax credit carryover	<u>75,376</u>	<u>75,376</u>
Total	254,470	242,443
Less: valuation allowance	<u>(254,470)</u>	<u>(242,443)</u>
	<u>\$ -</u>	<u>\$ -</u>

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#### 8. Income Taxes (cont'd...)

The Company has non capital loss carry forwards of approximately \$133,767 (2014: \$444,013) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2033	\$	99,842
2034		<u>33,925</u>
	\$	<u>133,767</u>

#### 9. Comparative figures

Certain of the prior year's figures may have been reclassified in conformity with the current year's financial statement presentation.