

Senternet Phi Gamma Inc.

Statement of Financial Position (Unaudited without review by auditor)

	September 30, 2017	December 31, 2016
Assets		
Current:		
Cash	\$ 2,171	\$ 7
Amounts receivable	2,010	3,456
Accrued refundable investment tax credits	-	-
Intangible asset	-	-
	<u>4,181</u>	<u>3,463</u>
 Marketable Securities		
(100,000 common shares – All World Resources Corp. at nominal value)	<u>1</u>	<u>1</u>
	<u>\$ 4,182</u>	<u>\$ 3,464</u>
 Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 217,622	\$ 235,357
Due to related parties (Note 4)	<u>145,477</u>	<u>119,374</u>
	<u>363,099</u>	<u>354,731</u>
 Shareholders' Equity (Note 6)		
Capital Stock		
Authorized:		
Unlimited common shares		
Issued:		
55,485,248 common shares	3,490,889	3,490,889
 Deficit	<u>(3,849,806)</u>	<u>(3,842,156)</u>
	<u>(358,917)</u>	<u>(351,267)</u>
	<u>\$ 4,182</u>	<u>\$ 3,464</u>

Senternet Phi Gamma Inc.

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the Three Month Period Ended September 30, 2017 (Unaudited without review by auditor)

Expenses	2017	2016
Research expense recovered	\$ -	\$ -
Professional fees and corporate services	18	14,500
Transfer agent's fees and expenses	1,200	1,200
Office and general	<u>-</u>	<u>1,323</u>
Net income (loss) and comprehensive income (loss) for the period	<u>(1,218)</u>	<u>(17,023)</u>
Income (loss) per common share	<u>\$ (0.00002)</u>	<u>\$ (0.0003)</u>
Weighted average of common shares outstanding	<u>55,485,248</u>	<u>55,485,248</u>

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the Nine Month Period Ended September 30, 2017 (Unaudited without review by auditor)

Expenses	2017	2016
Research expense recovered	\$ -	\$ -
Professional fees and corporate services	4,050	24,044
Transfer agent's fees and expenses	3,600	3,600
Office and general	<u>-</u>	<u>9,119</u>
Net income (loss) and comprehensive income (loss) for the period	<u>(7,650)</u>	<u>(36,763)</u>
Income (loss) per common share	<u>\$ (0.0001)</u>	<u>\$ (0.0007)</u>
Weighted average of common shares outstanding	<u>55,485,248</u>	<u>55,485,248</u>

Senternet Phi Gamma Inc.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

For the Nine Month Period Ended September 30, 2017 (Unaudited without review by auditor)

	2017	2016
Cash Provided (Used in):		
Operating Activities		
Net income (loss)	\$ (7,650)	\$ (36,763)
Increase (decrease) in sales tax receivable	1,446	2,227
Increase in accrued refundable investment tax credits	-	-
Decrease (increase) in intangible asset	-	-
Increase (decrease) in accounts payable	<u>(17,735)</u>	<u>23,416</u>
	<u>\$ (23,939)</u>	<u>\$ (15,574)</u>
Financing Activities		
Sale of common shares for cash	\$ -	\$ -
Value of common shares issued in consideration of acquisition of intangible asset	-	-
Increase in amounts due to related parties	<u>26,103</u>	<u>12,252</u>
	<u>\$ 26,103</u>	<u>\$ 12,252</u>
Increase (decrease) in cash	2,164	(3,322)
Cash, beginning of period	<u>7</u>	<u>3,307</u>
Cash, end of period	<u><u>\$ 2,171</u></u>	<u><u>\$ 15</u></u>

Senternet Phi Gamma Inc.

*Condensed Interim Statements of Changes in Equity
For the Nine Month Period ended September 30, 2017
(Unaudited without review by auditor)*

	Common shares	Amount	Deficit	Total
Balance January 01, 2017	55,485,248	\$ 3,490,889	\$ (3,842,156)	\$ (351,267)
Net income and comprehensive income	<u>-</u>	<u>-</u>	<u>(7,650)</u>	<u>(7,650)</u>
Balance September 30, 2017	55,485,248	\$ 3,490,889	\$ (3,849,806)	\$ (358,917)
Balance January 01, 2016	<u>55,485,248</u>	<u>\$ 3,490,889</u>	<u>\$ (3,804,099)</u>	<u>\$ (313,210)</u>
Common shares issued on return of capital	-	-	-	-
Sale of common shares for cash	-	-	-	-
Value of common shares issued in consideration of acquisition of intangible asset	-	-	-	-
Net loss and comprehensive loss	<u>-</u>	<u>-</u>	<u>(36,763)</u>	<u>(36,763)</u>
Balance September 30, 2016	<u>55,485,248</u>	<u>\$ 3,490,889</u>	<u>\$ (3,840,862)</u>	<u>\$ (349,973)</u>

Senternet Phi Gamma Inc.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
September 30, 2017
(Unaudited without review by auditor)

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 previous years, 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 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.

The Company incurred a net loss of \$38,057 during the year ended December 31, 2016 and as of that date the Company had cash of \$7, and a shareholders’ equity \$3,464.

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 – Statement of Compliance with IAS 34

These interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) using International Accounting Standard 34, Interim Financial Reporting and using the same accounting policies and methods of computation the Company applied in its consolidated financial statements as at and for the year ended December 31, 2016. These accounting policies are disclosed below in more detail.

The notes presented in these interim financial statements include only significant changes and transactions occurring since January 01, 2017, and do not include all disclosures required by IFRS for annual financial statements. These interim financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2016.

These interim financial statements are presented in Canadian dollars, which is the Company’s functional currency, and have been prepared primarily using the historical cost convention, as modified by the revaluation of financial instruments and certain impaired non-financial assets.

These interim financial statements were approved by the Board of Directors of the Company on November 14, 2017.

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: valuation of deferred income taxes, fair value of assets and liabilities and 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.

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(b). 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).

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

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”).
- e) Other financial liabilities.

a) 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.

b) 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.

c) 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 classifies its amounts receivable as loans and receivables.

d) 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.

e) Financial liabilities

Financial liabilities are classified into one of two categories:

- i) Fair value through profit or loss; or
- ii) Other financial liabilities

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

(i) 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.

(ii) 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.

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.

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.

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

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's 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 recognized 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 recognized in other comprehensive income up to the amount of any previous revaluation.

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 recognized 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 recognized 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 recognized. 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/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of loss and comprehensive loss. Impairment losses recognized 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 pending new or modified standards that are applicable to the Firm are as follows:

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in November 2013 and July 2014 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.

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

IFRS 7, *Financial Instruments* – Disclosure require new disclosures resulting from the amendments to IFRS 9. IFRS 7 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.

IFRS 16 *Leases* (“IFRS 16”), was issued in January 2016 and it replaces IAS 17 *Leases*. IFRS 16 requires entities to recognize lease assets and lease obligations on the balance sheet. 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.

IAS 7 – Statement of Cash Flows was amended in January 2016. Effective from annual periods beginning on or after January 1, 2017, an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company does not anticipate the amendment will have significant impact on the Company's financial statements.

4. Impairment of intangible Asset

On January 27, 2014 the Company entered into an agreement with NeuronicWorks 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 Fob 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.

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.

5. Related Parties Transactions

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

	2017	2016
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)	\$98,372	\$70,913
Advances from director, without interest, security or stated terms of repayment (b)	47,105	47,105
	<hr/>	<hr/>
	\$145,477	\$118,018

5. Related Parties Transactions (cont'd...)

The following are related party transactions reflected in these financial statements:

- a) During the period, the Company incurred \$4,068 (2016 - \$4,068) with Heritage for transfer agency services and corporate services. The amount is without interest.
- b) A director has ownership of an outstanding third party loan of \$15,000 (plus interest of 5% per annum). Interest expense incurred for the period was \$563 (2016 - \$563). The balance of the amount owing to director is without interest.

6. Capital Stock

a) Authorized share capital:

The Company has an unlimited number of common shares of which 55,485,248 were issued and outstanding as at December 31, 2016 and 2015.

b) 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 reserved 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 \$0.05 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%.

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, 2016 and 2015, 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:

7. Financial Instruments and Risk (cont'd...)

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

8. Income Taxes

In assessing the realizability of future tax assets, management considers whether it is probable that some portion or all of the deferred 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, 2016 (2015-26.50%) to loss for the year.

	<u>2016</u>	<u>2015</u>
Income tax recovery based on statutory rate	\$ (10,085)	\$ (21,847)
Change in valuation allowance	10,085	12,027
Other	<u>-</u>	<u>9,820</u>
	<u>\$ -</u>	<u>\$ -</u>

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

As at December 31, 2016, the deferred tax assets of \$45,533 (\$35,448 as at December 31, 2015) 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 loss carry forwards. The Company's unrecognized deferred tax assets are as follows:

	<u>2016</u>	<u>2015</u>
Non capital loss carry forward	\$ 45,533	\$ 35,448
Less: valuation allowance	<u>(45,533)</u>	<u>(35,448)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has non capital loss carry forwards of approximately \$171,824 (2015: \$133,767) 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	33,925
2036	<u>38,057</u>
	<u>\$ 171,824</u>