Immunall Science Inc.

Financial Statements

For The Years Ended December 31, 2014 and 2013

Collins Barrow

Chartered Accountants & Consultants

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Independent Auditors' Report

To the Shareholders
Immunall Science Inc.

We have audited the accompanying financial statements of Immunall Science Inc., which comprise the statements of financial position as at December 31, 2014 and December 31, 2013, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity (deficiency) and statements of cash flows for the years ended December 31, 2014 and December 31, 2013, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 in our audits 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 Immunall Science Inc. as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to note 2(a) to the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue operating as a going concern. Our opinion is not qualified in respect of this matter.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
July 31, 2015

Immunall Science Inc.

(Incorporated under the laws of Alberta)

Statements of Financial Position

(amounts in Canadian dollars)

	December 31, 2014	December 31, 2013
Assets		
Current assets		
Cash	$ 1,699	$ 5,849
Goods and Services Tax recoverable	1,408	1,238
Inventory (note 3(a))	-	44,754
Prepaid expenses	396	396
	3,503	52,237
Equipment (notes 3(b) and 4)	-	568
	$ 3,503	$ 52,805
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 5 and 7)	$ 83,684	$ 57,763
Shareholders' Deficiency		
Share capital (note 6)	747,769	747,769
Contributed surplus	422,248	422,248
Deficit	(1,250,198)	(1,174,975)
	(80,181)	(4,958)
	$ 3,503	$ 52,805

Going concern (note 2(a))
Commitment (note 9)
Subsequent event (note 11)

See accompanying notes.

Approved by the Board,

(signed) "M. Frank Phillet" , Director

(signed) "Craig McLennon" , Director

Immunall Science Inc.
Statements of Loss and Comprehensive Loss
Years Ended December 31
(amounts in Canadian dollars)

	2014	2013
Expenses		
Advertising and promotion	$ -	$ 402
Bank charges	305	193
Office	501	1,520
Professional fees	16,693	16,647
Regulatory	12,402	14,998
Amortization	255	255
Loss before the following	30,156	34,015
Write-down of inventory (note 3(a))	44,754	-
Write-down of property and equipment (note 4)	313	-
	45,067	-
Net loss and comprehensive loss	$ 75,223	$ 34,015
Basic and diluted loss per share (note 6(e))	$ 0.002	$ 0.001

See accompanying notes.

Immunall Science Inc.
Statements of Changes in Shareholders' Equity (Deficiency)
(amounts in Canadian dollars)

	Number of common shares	Common shares at stated value	Contributed surplus	Deficit	Total equity (deficiency)
Balance at December 31, 2012	42,265,842	$ 945,248	$ 224,769	$ (1,140,960)	$ 29,057
Loss for the period	-	-	-	(34,015)	(34,015)
Shares cancelled (note 6(c))	(8,830,080)	(197,479)	197,479	-	-
Balance at December 31, 2013	33,435,762	747,769	422,248	(1,174,975)	(4,958)
Loss for the period	-	-	-	(75,223)	(75,223)
Balance at December 31, 2014	33,435,762	$ 747,769	$ 422,248	$ (1,250,198)	$ (80,181)

See accompanying notes.

Immunall Science Inc.
Statements of Cash Flows
Years Ended December 31
(amounts in Canadian dollars)

	2014	2013
Operating activities		
Net loss	$ (75,223)	$ (34,015)
Item not affecting cash		
Amortization	255	255
Write-down of property and equipment	313	-
Write-down of inventory	44,754	-
	(29,901)	(33,760)
Changes in non-cash working capital		
Accounts receivable	-	475
Good and Services Tax recoverable/payable	(170)	1,289
Accounts payable and accrued liabilities	25,921	3,355
	25,751	5,119
Cash outflow	(4,150)	(28,641)
Cash, beginning of year	5,849	34,490
Cash, end of year	$ 1,699	$ 5,849

See accompanying notes.

1. Nature of operations

   Immunall Science Inc. (the “Company”) was incorporated under the *Business Corporations Act* (Alberta) on November 22, 2005. The Company was a research company engaged in the business of developing and commercializing technology related to the growth and extraction of active ingredients from American Ginseng. During 2014, the Company ceased its ginseng operations and is currently inactive (note 2(a)).

   The address and principal place of business of the Company is 10979 - 127th Street, Edmonton, Alberta, Canada, T5M 0T1.

2. Basis of presentation

   (a) Going concern

   These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company is in the development stage and there is a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. As of December 31, 2014, the Company has earned limited revenues from operations and has a deficit of $1,250,198 (2013 - $1,174,975). Accounts payable includes $45,000 owing to directors that will not be repaid until sufficient cash flow is available. Remaining inventory has been determined by management to have a net realizable value of $NIL at December 31, 2014 and a write-down of $44,754 has been recorded in the year (2013 - $NIL), due to current market conditions and future plans of the Company (note 3(a)). Management is currently investigating a range of strategic options available with a view to generating income sufficient to pay its liabilities and ongoing operating expenses, and maximizing shareholder value. Subsequent to year-end, the Company entered into a credit agreement with a third party (note 11). The Company may be required to obtain additional debt or equity financing or curtail spending in the future to fund operations and settle obligations.

   These statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption were not appropriate for these financial statements, then adjustments, which could be material, would be necessary to the carrying values of assets and liabilities and the reported expenses and the statement of financial position classifications used.

   (b) Statement of compliance

   The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) for the year ended December 31, 2014.

   The financial statements were authorized for issue by the Board of Directors ("the Board") on July 31, 2015.

(c) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for held-for-trading financial assets that are measured at fair value with changes in fair value recorded in earnings. See note 10(b) for the methods used to measure fair values.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(e) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity:

Valuation of inventory

The valuation of inventory is based on management's best estimate of the net realizable value of slow moving or obsolete inventory. Allowances are made against obsolete or damaged inventories and charged to cost of sales. The reversal of any write-down of inventory arising from an increase in net realizable value is recognized as a reduction in cost of sales in the period in which the reversal occurred.

Deferred income tax

Deferred income tax is based on estimates as to the timing of the reversal of temporary differences, tax rates currently substantively enacted and the determination of the valuation allowance. The valuation allowance is based on estimates of the probability of the Company utilizing certain tax pools and losses in future periods.

(amounts in Canadian dollars)

3. Significant accounting policies

(a) Inventory

Inventory consists of raw materials and processed product and is valued at the lower of cost and net realizable value, cost being determined on a specific identification basis. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. When the applicable cost of the inventories exceeds the net realizable value, inventory is written down to the net realizable value. Write-downs are subsequently reversed up to the original cost if the net realizable value exceeds the carrying amount.

The amount of inventory recognized as an expense during the year ended December 31, 2014 was $44,754 (2013 - $NIL) related to a write-down of inventory to its net realizable value. This value was determined to be $NIL at December 31, 2014 based on future plans of management and current market conditions. No other inventory was recognized as an expense during the years ended December 31, 2014 and 2013.

(b) Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Amortization of equipment is provided using the straight-line method at the following rates approximating their estimated useful lives:

Furniture	10 years

(c) Impairment

The carrying value of long-term assets is reviewed annually for indicators that the carrying value of an asset or cash-generating unit may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit is estimated. If the carrying value of the asset or cash-generating unit exceeds the recoverable amount, the asset or cash-generating unit is written down with an impairment recognized in net income.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs of disposal and its value in use. Fair value is determined to be the amount for which the asset could be sold for in an arm's length transaction. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the asset or cash generating unit in its present form.

Reversals of impairments are recognized when there are indicators that an impairment loss recognized in prior periods may no longer exist, or may have decreased. In this event, the carrying amount of the asset or cash-generating unit is increased to its revised recoverable amount with an impairment reversal recognized in net earnings. The revised recoverable amount is limited to the original carrying amount less amortization as if no impairment had been recognized for the asset or cash-generating unit for prior periods.

(d) Revenue recognition

The Company recognizes revenue when the product is shipped and there is reasonable assurance of collection.

(e) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, plus any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the 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. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(f) Stock-based compensation

The Company has a stock based compensation plan, which is described in (note 6(d)). The fair value of the stock options is measured at the grant date and recognized as share-based compensation expense, with a corresponding increase in contributed surplus over the vesting period. The fair value of the stock is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the stock options were granted. The Company measures stock-based compensation to non-employees at the fair value of the goods or services received. If the fair value of the goods or services cannot be measured reliably, the value of the options is used, measured using the Black-Scholes option pricing model. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of stock options that will ultimately vest. When stock options are exercised, the amount previously recorded as share-based compensation is recorded as share capital.

(g) Provisions and contingent liabilities

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

(h) Financial instruments

(i) Classification and measurement

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through the statement of income", "loans and receivables", "available-for-sale", "held-to-maturity", or "financial liabilities measured at amortized cost" as defined by IAS 39, *"Financial Instruments: Recognition and Measurement"*.

Financial assets and financial liabilities at "fair value through the statement of income" are either classified as "held for trading" or "designated at fair value through the statement of income" and are measured at fair value with changes in fair value recognized in the income statement. Transaction costs are expensed when incurred. The Company has designated cash as "held for trading".

Financial assets and financial liabilities classified as "loans and receivables", "held-to-maturity", or "financial liabilities measured at amortized cost" are measured at amortized cost using the effective interest method of amortization. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity. "Financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through the statement of income" and that are not derivatives. The Company does not have any financial assets designated as "loans and receivables" or "held to maturity".

Accounts payable and accrued liabilities are classified as "financial liabilities measured at amortized cost".

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company has no available-for-sale financial assets.

(ii) *Equity instruments*

The Company's common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(iii) *Impairment*

The Company assesses at each statement of financial position date whether there is objective evidence that financial assets, other than those designated as "fair value through the statement of income" are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of income. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of loss in the period. Impairment losses may be reversed in subsequent periods.

(i) Net loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted income per share reflects the potential dilution that would occur if in-the-money stock options were exercised. The Company uses the treasury stock method for outstanding stock options which assumes that all outstanding stock options with exercise prices below average market prices are exercised and assumed proceeds plus the unamortized portion of stock-based compensation are used to purchase the Company's common shares at the average market price during the period.

(j) Recent accounting pronouncements

The Company has adopted the following new standards and amendments which became effective on or after January 1, 2014:

- IFRS Interpretations Committee (IFRIC) 21 "Levies" which provides guidance on accounting for levies in accordance with the requirements of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The interpretation clarifies that an entity is to recognize a liability for a levy when the activity that triggers the payment occurs. The interpretation also clarifies that a levy liability is to be accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. The adoption of this interpretation did not have a significant impact on the Company's financial statements.

- IAS 36 (amended), "Impairment of Assets". The amendments reduce the circumstances in which the recoverable amount of cash generating units, "CGUs", is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period. The adoption of this amendment did not have a significant impact on the Company's financial statements.

- The Company adopted several narrow-scope amendments to a total of nine standards issued by IASB in December 2013. The adoption of these amendments had no impact on the financial statements.

- IFRS 12, *"Disclosure of Interests in Other Entities"*, combines the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, and associates as well as unconsolidated structured entities. The adoption of this standard had no impact on the Company's financial statements.

(amounts in Canadian dollars)

In addition to the adoption of the standards as detailed above, the Company will be required to adopt each of the following new standards in future years:

- IFRS 9, "Financial Instruments"

  IFRS 9, "Financial Instruments" provides a comprehensive new standard for accounting for all aspects of financial instruments. It includes a logical model for classification and measurement, a single, forward-looking 'expected-loss' impairment model and a substantially reformed approach to hedge accounting. The new standard is effective for years beginning on or after January 1, 2018. The Company has not determined the impact of the new standard on its financial statements.

- IFRS 15, "Revenue from Contracts with Customers"

  IFRS 15, "Revenue from Contracts with Customers" provides a comprehensive new standard for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. It specifies how and when to recognize revenue as well as requiring entities to provide more informative and relevant disclosure. The new standard is effective for years beginning on or after January 1, 2017. The Company has not determined the impact of the new standard on its financial statements.

4. Equipment

Equipment consists of furniture.

	Total
Cost at December 31, 2012, 2013 and 2014	$ 2,550
Accumulated amortization - December 31, 2012	$ 1,727
Amortization expense	255
Accumulated amortization - December 31, 2013	1,982
Amortization expense	255
Writedown (note 3(b))	313
Accumulated amortization - December 31, 2014	$ 2,550
Net book value	
December 31, 2013	$ 568
December 31, 2014	$ -

During the year ended December 31, 2014, the Company wrote-off equipment of $313 (2013 - $NIL). Due to future plans for the Company by management of ceasing ginseng operations and management's estimate that no market exists to purchase ginseng powder, it was no longer probable that future economic benefits associated with the equipment would flow to the Company.

(amounts in Canadian dollars)

5. Accounts payable and accrued liabilities

	2014	2013
Trade payables	$ 15,237	$ 450
Other payables and accrued liabilities (note 7)	68,447	57,313
	$ 83,684	$ 57,763

6. Share capital

(a) Authorized

Unlimited	number of common shares
20,000,000	preferred shares, issuable in one or more series
20,000,000	redeemable preferred shares, issuable in one or more series

(b)

	Number	Stated value
Issued: Common shares		
Balance, December 31, 2012	42,265,842	$ 945,248
Shares cancelled 6	(8,830,080)	(197,479)
Balance, December 31, 2014 and 2013	33,435,762	$ 747,769

(c) On January 11, 2011, the Company issued a joint management information circular and proxy statement relating to the amalgamation of the Company with Altius Edge Ltd. The amalgamation was completed on March 31, 2011, at which point holders of certificates formerly representing Immunall shares had two years to surrender those certificates in exchange for new Immunall share certificates, representing common share ownership of the Company. At March 31, 2013, 8,830,080 certificates formerly representing Immunall shares had not been surrendered and exchanged, resulting in the cancellation of the associated common shares of the Company.

(d) Stock options

The Company has a stock option plan pursuant to which the Board of the Company may grant options to purchase common shares to the officers, directors and employees of the Company or affiliated companies and to consultants retained by the Company.

The aggregate number of common shares reserved for issuance under the stock option plan is set at a maximum of 10% of the total number of shares outstanding at the time the options are granted. Furthermore, the aggregate number of shares issuable to one individual may not exceed 5% of the total number of issued and outstanding common shares of the Company. The exercise price of all options issued under the stock option plan may not be less than the closing market price on the last business day prior to the date the option was granted.

(amounts in Canadian dollars)

A summary of the status of the Company's stock options as at December 31, 2014 and 2013 and changes during the periods then ended are as follows:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2012	500,000	$ 0.10
Expired - 2013	(500,000)	$ 0.10
Outstanding and exercisable, December 31, 2014 and 2013	-	

No options were granted during the years ended December 31, 2014 and 2013.

(e) Loss per share

Loss per share is calculated based on the basic and diluted weighted average number of common shares outstanding during the year ended December 31, 2014 of 33,435,762 (2013 - 35,661,426). The effect of all potential dilutive items have been excluded from the diluted calculation for the years ended December 31, 2014 and 2013 as the Company incurred losses during the years ended December 31, 2014 and 2013, and the effect would be anti-dilutive.

7. Related party transactions

(a) The Company has not entered into transactions with related parties during 2014 or 2013, however $45,000 in accounts payable remains outstanding relating to consulting fees charged by corporations owned by management and directors in prior periods.

Amounts included in accounts payable and accrued liabilities are due under normal credit terms.

(b) The Company has not paid any compensation to executives, directors or employees during the years ended December 31, 2014 and 2013.

(amounts in Canadian dollars)

8. Income taxes

(a) The components of the Company's deferred tax asset and associated movement are as follows:

	December 31, 2013	Recognized in Loss	December 31, 2014
Cumulative eligible capital	$ 172,097	$ 881	$ 172,978
Non-capital loss carry-forwards	352,323	27,214	379,537
Other	96	210	306
Valuation allowance	(524,516)	(28,305)	(552,821)
	$ -	$ -	$ -

	December 31, 2012	Recognized in Loss	December 31, 2013
Cumulative eligible capital	$ 185,051	$ (12,954)	$ 172,097
Non-capital loss carry-forwards	330,908	21,415	352,323
Other	104	(8)	96
Valuation allowance	(516,063)	(8,453)	(524,516)
	$ -	$ -	$ -

(b) Income tax recovery differs from that which would be expected from applying the approximate combined effective Canadian federal and provincial income tax rates of 25% (2013 - 25%) to loss before income taxes as follows:

	2014	2013
Loss before income taxes	$ (75,223)	$ (34,015)
Expected income tax recovery	(18,806)	(8,504)
Expiry of non-capital loss carryforwards	7,767	-
Other	-	51
Deferred income tax benefit not recognized	11,039	8,453
	$ -	$ -

(amounts in Canadian dollars)

(c) The Company has available the following non-capital loss carryforwards for which no benefit has been recognized in the financial statements:

Amount	Year of Expiry
$ 81,192	2015
270,129	2026
302,300	2027
175,433	2028
265,794	2029
80,537	2030
17,965	2031
107,630	2032
90,057	2033
127,109	2034
$ 1,518,146	

In addition, the Company has $691,913 of cumulative eligible capital for which no benefit has been recognized in the financial statements.

9. Commitment

The Company has a licensing and royalty memorandum of understanding with the initial developer of the technology that is being utilized exclusively by the Company for the production of products from ginseng roots. As part of the memorandum of understanding, the Company is required to pay a royalty of 5% of the invoiced cost of each production run incurred by the Company.

10. Financial instruments and risk management

(a) Risk management overview

The Company's activities expose it to a variety of financial risks including credit risk and liquidity risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Company employs risk management strategies and polices to ensure that any exposure to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

(b) Fair values of financial instruments

The fair value of the Company's cash and accounts payable and accrued liabilities approximate their carrying value due to immediate or short-term maturity of these financial instruments.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - reflects valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 - reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - reflects valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The financial instrument in the Company's financial statements measured at Level 1 fair value is cash.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if any counterparty fails to discharge its obligations.

Credit risk exists in cash, which is mitigated by the Company holding its cash in major Canadian banking financial institutions.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they become due. The financial liabilities on the statements of financial position consist of accounts payable and accrued liabilities, which includes $45,000 due to related parties (note 7) that is not expected to be repaid in the next year. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations as they become due.

(e) Capital risk management

The Company's objectives in managing its capital is to safeguard the Company's assets to be able to continue as a going concern, and to sustain future development of the business.

Management defines capital as the Company's shareholders' equity (deficiency). The Company manages its capital structure and makes adjustments to it according to economic market conditions. Management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses expected capital requirements for the fiscal period. In order to maintain or adjust the capital structure, the Company may adjust spending, issue new shares, sell assets or incur debt.

There have been no changes to the Company's capital management policy during the years ended December 31, 2014 and 2013 and the Company is not subject to externally imposed capital requirements at December 31, 2014 and 2013.

11. Subsequent event

The Company signed an agreement effective July 8, 2015, with a third party to advance funds to the Company to a maximum of $50,000 to cover operating costs. This facility will bear interest at 10% per annum, compounded monthly and will accrue daily. All amounts are repayable on demand, subsequent to January 8, 2016. As at July 31, 2015, $41,625 was advanced to the Company.