AAN Ventures Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended March 31, 2015

(Unaudited - Expressed in Canadian Dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accomplished by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by the Company's management, and have not been reviewed by the Company's independent auditor.

AAN Ventures Inc.
Condensed interim consolidated statements of financial position
(Unaudited - Expressed in Canadian Dollars)

	Note		March 31, 2015		September 30, 2014
ASSETS					
Current assets					
Cash		$	19,097	$	83,043
Receivables	4		756		3,392
GST receivable	4		1,078		-
Due from related party			-		5,000
			20,931		91,435
Loan receivable	4		25,332		-
TOTAL ASSETS		$	46,263	$	91,435
LIABILITIES					
Current liabilities					
Accounts payable		$	2,860	$	8,682
Accrued liabilities			-		8,000
TOTAL LIABILITIES			2,860		16,862
SHAREHOLDERS' EQUITY (DEFICIENCY)					
Share capital	5		23,109,240		23,109,240
Subscriptions receivable			-		-
Reserves			6,374,746		6,374,746
Deficit			(29,440,583)		(29,409,233)
TOTAL EQUITY (DEFICIENCY)			43,403		74,753
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		$	46,263	$	91,435

Nature and continuance of operations (Note 1)
Statement of Compliance (Note 2)

APPROVED BY THE DIRECTORS ON MAY 28, 2015:

"Lewis Dillman"
Director

"Tom Kennedy"
Director

See accompanying notes to the financial statements

AAN Ventures Inc.
Condensed interim consolidated statements of comprehensive loss
For the three and six months ended March 31, 2015 and 2014
(Unaudited - Expressed in Canadian Dollars)

		For the Three Months Ending			For the Six Months Ending	
	Note	March 31, 2015	March 31, 2014		March 31, 2015	March 31, 2014
Revenue						
Oil Sales		741	-		741	-
		741	**-**		**741**	**-**
Expenses						
Bank charges and interests		62	63		159	270
Foreign exchange		(3,213)	-		(3,585)	-
Management fee		5,000	-		5,000	-
Office and miscellaneous		-	257		149	840
Professional fees		1,700	630		3,458	1,410
Rent and administration		9,000	7,500		18,000	15,000
Transfer agent and regulatory fees		4,812	1,933		8,910	7,039
		17,361	**10,383**		**32,091**	**24,559**
Other items						
Other		-	-		-	-
		-	-		-	-
Comprehensive loss		**(16,620)**	**(10,383)**	**-**	**(31,350)**	**(24,559)**
Basic and diluted loss per share		(0.00)	(0.00)		(0.00)	(0.00)
Weighted average shares outstanding						
-basic and diluted		**36,753,079**	**23,561,644**		**36,753,079**	**23,561,644**

See accompanying notes to the financial statements

AAN Ventures Inc.
Condensed interim consolidated statement of changes in equity (deficiency)
For the six months ended March 31, 2015 and 2014
(Expressed in Canadian Dollars)

		Share capital			**Reserves**			
	Note	**Number of shares**	**Amount**	**Subscriptions receivable**	**Stock based reserve**	**Forex reserve**	**Deficit**	**Total**
Balance, September 30, 2013		**36,753,079**	**$ 23,109,240**	**(30,000)**	**$ 6,372,363**	**$ -**	**$ (29,291,665)**	**$ 159,938**
				-	-	-	-	
Subscriptions receivable				30,000				30,000
Net loss		-	-	-	-	-	(24,558)	(24,558)
Balance, March 31, 2014		**36,753,079**	**23,109,240**	**-**	**6,372,363**	**-**	**(29,316,223)**	**165,380**
Balance, September 30, 2014		**36,753,079**	**$ 23,109,240**	**$ -**	**$ 6,372,363**	**$ 2,383**	**$ (29,409,233)**	**$ 74,753**
					-	-	-	
Subscriptions receivable		-	-	-	-	-	-	-
Net loss		-	-	-	-	-	(31,350)	(31,350)
Balance, March 31, 2015		**36,753,079**	**$ 23,109,240**	**$ -**	**$ 6,372,363**	**$ 2,383**	**$ (29,440,583)**	**$ 43,403**

See accompanying notes to the financial statements

AAN Ventures Inc.
Condensed interim consolidated statements of cash flows
For the three and six months ended March 31, 2015 and 2014
(Unaudited - Expressed in Canadian Dollars)

		For the Three Months Ending		**For the Six Months Ending**	
	Note	**March 31, 2015**	**March 31, 2014**	**March 31, 2015**	**March 31, 2014**
Operating activities					
Net loss		(16,620)	(10,384)	(31,350)	(24,559)
Changes in non-cash working capital items:					
Accounts receivable		(790)	(71)	1,558	533
Accounts payable		(5,140)	(819)	(13,822)	(2,690)
Prepaid		3,150			
Net cash flows used in operating activities		**(19,400)**	**(11,274)**	**(43,614)**	**(26,716)**
Investing activities					
Exploration and evaluation assets					(52,552)
Net cash flows used in investing activities					**(52,552)**
Financing activities					
Subscriptions receivable		-	-	-	30,000
Loan receivable		(2,130)		(25,332)	
Related party		5,000	-	5,000	(27,200)
Net cash flows provided by financing activities		**2,870**	**-**	**(20,332)**	**2,800**
Change in cash		(16,530)	(11,274)	(63,946)	(74,768)
Cash, beginning		35,627	131,890	83,043	197,083
Cash, ending		19,097	120,615	19,097	120,615

See accompanying notes to the financial statements

(Unaudited and Expressed in Canadian Dollars)

1. Nature and continuance of operations

AAN Ventures Inc. was incorporated under the Business Corporation Act of Alberta on August 31, 1998 and was continued to British Columbia on January 30, 2006. The Company changed its name from Ona Power Corp. to AAN Ventures Inc. on April 9, 2012. The Company's shares are publicly traded on the Frankfurt Exchange and Canadian Stock Exchange (the "CSE") under the symbol "ANN".

The head office, principal address and records office of the Company are located at 8338 – 120th Street, Surrey, British Columbia, Canada, V3W 3N4.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. As at March 31, 2015, the Company was not able to finance day to day activities through operations.

The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that cast significant doubt about the Company's ability to continue as a going concern.

	March 31, 2015	September 30, 2014
	$	$
Current assets	20,931	91,435
Current liabilities	(2,860)	(16,682)
Working capital	18,071	(74,753)

Management intends to finance operating costs with loans from directors and companies controlled by directors and or the private placement of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. Statement of compliance and basis of preparation

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 28, 2015.

Statement of compliance

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as were applied in our most recent audited annual financial statements for the year ended September 30, 2014.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the most recent audited annual financial statements of the Company for the year ended September 30, 2014.

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

3. Significant accounting policies

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Intercompany balances and transactions were eliminated in preparing the consolidated financial statements.

Entity	Incorporation	Status	Functional Currency
Ona Power Oil & Gas Corp	United States	Active	Canadian Dollar

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company and its subsidiary.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of loss and comprehensive loss in "other items".

3. Significant accounting policies (continued)

Joint arrangements
The Company conducts many of its petroleum activities through jointly controlled operations and the financial statements reflect only the Company's proportionate interest in such activities. AAN Ventures Inc. Note 8to the Consolidated Financial Statements (Expressed in Canadian dollars) Year ended September 30, 2014.

Joint control exists for contractual arrangements governing the Company's assets whereby the Company has less than 100 percent working interest, all of the partners have control of the arrangement collectively, and spending on the project requires unanimous consent of all parties that collectively control the arrangement and share the associate risks. The Company does not have any joint arrangements that are structured through joint venture arrangements.

Oil properties
Oil properties are stated at cost, less accumulated depletion and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and decommissioning costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Where commercial production in an area of interest has commenced, oil properties are depleted on a unit-of-production basis over the proved reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area. The unit-of-production rate for the depletion of field development costs takes into account expenditures incurred to date, together with future development expenditures to develop the proved reserves. Changes in factors such as estimates of proved reserves that affect unit-of-production calculations are dealt with on a prospective basis.

Revenue
Revenue from the sale of oil is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes to the external party, sales prices and costs can be reasonably measured, and it is probable that future economic benefits will flow to the entity. For crude oil, this is generally at the time the product reaches a trucking terminal or pipeline. Revenue is measured net of discounts.

Financial instruments
The Company recognizes financial assets and liabilities on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All financial assets recognized on the Company's statement of financial position are classified as loans or receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially recognized at fair value and subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

All financial liabilities recognized on the Company's statement of financial position are initially recognized at fair value and subsequently measured at amortized cost.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired.

Cash and cash equivalents
Cash and cash equivalents include demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

3. Significant accounting policies (continued)

Impairment of long lived assets
The carrying amount of the Company's assets is reviewed for impairment when indicators of such impairment exist. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. If an impairment loss exists, then it is recorded as an expense immediately.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss cannot be reversed to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. AAN Ventures Inc. Note 8 to the Consolidated Financial Statements (Expressed in Canadian dollars) Year ended September 30, 2014

Income taxes
Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the jurisdictions where the Company operates and generates taxable income. The tax rate used is the rate that is enacted or substantively enacted.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Decommissioning provisions
The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of well sites is capitalized to oil and gas properties along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other oil and gas properties.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to oil and gas properties with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

3. Significant accounting policies (continued)

The restoration provisions are accreted to full value over time through charges to operating expenses on the consolidated statement of loss and comprehensive loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of restoration projects that were included in the provision are recorded against the provision as incurred.

Changes in significant accounting policies

New accounting standards adopted

(i) IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under previous IFRS, consolidation was required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries.

(ii) IFRS 11, Joint Arrangements, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under previous IFRS, entities had the choice to proportionately consolidate or equity account for interests in jointly controlled entities. The adoption of this standard had no effect on the Company's financial statements.

(iii) IFRS 12, Disclosure of Interests in Other Entities, outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flow. The adoption of this standard had no effect on the Company's financial statements.

(iv) IFRS 13, Fair value measurements, provides as single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

(v) IFRS 7, Financial Instruments: Disclosures, was amended to develop common disclosure requirements for financial assets and financial liabilities that are offset in the financial statements, or that are subject to enforceable master netting arrangements or similar agreements. The adoption of this amendment had no impact on the Company's financial statements.

(vi) The Company has adopted the amendments to IAS 1, Presentation of Financial Statements, effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit and loss and those that will not be reclassified. These changes did not result in any adjustments to net and other comprehensive income or loss

Accounting standards issued by not yet effective
The IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, Financial Instruments (IFRS 9), amendments to IAS 36, Impairment of Assets, and IFRIC 21, Accounting for Levies imposed by Governments.

The following is a brief summary of the new standards:

3. Significant accounting policies (continued)

IFRS 9 – Financial Instruments
IFRS 9, *Financial Instruments,* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement,* except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The effective date of IFRS 9 was deferred in November 2013, a new effective date has not yet been published. The Company has not yet completed an assessment of the impact of adopting IFRS 9.

IAS 36 – Impairment of Assets
In May 2013, the IASB issued amendments to IAS 36, *Impairment of Ass*ets, which reduces the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. These amendments will be applied by the Company on January 1, 2014 and the adoption will only impact the Company's disclosures in the notes to the financial statements in periods when an impairment loss or impairment reversal is recognized.

IFRIC 21 – Accounting for Levies imposed by Governments
IFRIC 21, Accounting for Levies imposed by Governments, clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. IFRIC 21 is effective for the Company beginning on January 1, 2014. The Company is currently assessing the impact of this guidance.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions 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 following areas requires a significant degree of estimation and judgment.

Reserve base
The oil and gas properties are depreciated on a unit of production ("UOP") basis at a rate calculated by reference to prove reserves determined in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and incorporate the estimated future cost of developing and extracting those reserves. Proved reserves

(Unaudited and Expressed in Canadian Dollars)

are determined using estimates of oil in place, recovery factors and future prices. Future development costs are estimated using assumptions as to number of wells required to produce the reserves, the cost of such wells and associated production facilities and other capital costs. Proved reserves are estimated using independent reserve engineer reports and represent the estimated quantities of oil which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable.

Depletion of oil assets

Oil properties are depleted using the UOP method over proved reserves. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves (Note 8).

Determination of cash generating units

Oil properties are grouped into cash generating units for purposes of impairment testing. Management has evaluated the oil properties of the Company, and grouped the properties into cash generating units on the basis of their ability to generate independent cash inflows, similar reserve characteristics, geographical location, and shared infrastructure.

Impairment indicators and calculation of impairment

At each reporting date, the Company assesses whether or not there are circumstances that indicate a possibility that the carrying values of oil properties and equipment are not recoverable, or impaired. Such circumstances include incidents of deterioration of commodity prices, changes in the regulatory environment, or a reduction in estimates of proved and probable reserves. When management judges that circumstances clearly indicate impairment, property and equipment are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units are determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions that are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves, discount rates, aswell as future development and operating costs.

Decommissioning provisions

Restoration costs will be incurred by the Company at the end of the operating life of the Company's oil properties. The ultimate restoration liability is uncertain and can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, or changes in the risk-free discount rate. The expected timing and amount of expenditure can also change in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

4. Receivables and Loans Receivable

		March 31, 2015		**September 30, 2014**
	$		$	
GST		1,078		1,762
Other		756		2,130
	$	1,834	$	3,392

On December 8, 2014, the Company entered into a loan agreement with Keblo whereby the Company advanced US$20,000 to Keblo. Keblo will repay the Company US$1,000 per month starting June 8, 2015 until the amount is repaid and the Company will receive a 26% net working interest in Keblo's two oil and gas wells located in Pickett County, Tennessee, USA.

(Unaudited and Expressed in Canadian Dollars)

5. Share capital

Authorized share capital

Unlimited number of common shares without par value

Issued share capital

On March 31, 2015 there were a total of 36,753,079 common shares issued and outstanding (September 30, 2014 - $36,753,079).

5. Share capital (continued)

Stock options

The Company has adopted a stock option plan whereby the Company may from time to grant to directors, officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 10% of the Company's common shares issued and outstanding at the time of granting stock options. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The Company did not grant any options during the six month period ended March 31, 2015 or during the year ended September 30, 2014.

There were 241,667 options outstanding at March 31, 2015 and at the year ended September 30, 2014 with an exercise price of $0.30 and a weighted average remaining life of 1 year.

Share Purchase Warrants

The Company did not issue any warrants during the six month period ended March 31, 2015 or during the year ended September 30, 2014.

As at March 31, 2015 and September 30, 2014, there were 2,666,666 warrants outstanding with the weighted average exercise price and the weighted average remaining life of $0.05 and .25 years respectively.

Reserves

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant reserve

The warrant reserve records items recognized as warrants until such time that they are exercised, at which time the corresponding amount will be transferred to share capital.

6. Related party transactions

Related party transactions

The Company incurred the following transactions with a Company controlled by the CEO, Lucky Janda:

		March 31, 2015		**March 31, 2014**
Rent and administration		18,000		15,000
	$	18,000	$	15,000

(Unaudited and Expressed in Canadian Dollars)

Key management personnel compensation

During the six months ended March 31, 2015, $5,000 management fee (March 31, 2014-$Nil) was paid to the Chief Executive Officer ("CEO") of the Company, Lucky Janda.

During the six months ended March 31, 2015, the Company incurred $1,350 (March 31, 2014 - $1,410) for accounting services to a company controlled by the former Chief Financial Officer ("CFO"), Jamie Lewin.

7. Income Taxes

As at March 31, 2015, the Company's has $4,904,718 non-capital losses which expire as follows:

Year		Amount
2015		145,848
2026		610,913
2027		677,234
2028		1,352,301
2029		1,203,313
2030		571,354
2031		73,625
2032		124,322
2033		69,272
2034		76,536
Total	$	4,904,718

8. Financial instruments and risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counter party limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality of financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its sales tax receivable, which is due from the Government of Canada. The risk is determined to be low.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

(Unaudited and Expressed in Canadian Dollars)

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company’s access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to significant foreign exchange risk.

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. The Company is not exposed to interest rate risk.

8. Financial instruments and risk management (continued)

Capital Management

The Company’s policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of cash and share capital.

There were no changes in the Company’s approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

		March 31, 2015		September 30, 2014
Cash	$	19,097	$	83,043
Accounts receivable		1,834		3,392
Due from related parties		-		5,000
		20,931		91,435

Financial liabilities included in the statement of financial position are as follows:

		March 31, 2015		September 30, 2014
Non-derivative financial liabilities:				
Accounts payable	$	2,860	$	8,682
Accrued liabilities		-		8,000
	$	2,860	$	16,682

Fair value

The fair value of the Company’s financial assets and liabilities approximates their carrying amount.

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.

(Unaudited and Expressed in Canadian Dollars)

The following is an analysis of the Company's financial assets measured at fair value as at March 31, 2015 and September 30, 2014:

	As at March 31, 2015		
	Level 1	Level 2	Level 3
Cash	$ 19,097	$ -	$ -

	As at September 30, 2014		
Cash	$ 83,043	$ -	$ -