**AAN Ventures Inc.**
**Consolidated Financial Statements**
**(Expressed in Canadian Dollars)**

**For the Years Ended September 30, 2015 and 2014**

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AAN Ventures Inc.

We have audited the accompanying consolidated financial statements of AAN Ventures Inc., which comprise the consolidated statements of financial position as at September 30, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of AAN Ventures Inc. as at September 30, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
January 27, 2016

AAN Ventures Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | Note | | September 30, 2015 | | September 30, 2014 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | | $ | 15,005 | $ | 83,043 |
| Receivables | 4 | | 618 | | 3,392 |
| Due from related parties | | | - | | 5,000 |
| **TOTAL ASSETS** | | $ | **15,623** | **$** | **91,435** |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable | | $ | 963 | $ | 8,682 |
| Accrued liabilities | | | 10,000 | | 8,000 |
| Due to related parties | 7 | | 29,260 | | - |
| **TOTAL LIABILITIES** | | | **40,223** | | **16,682** |
| | | | | | |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | | | |
| Share capital | 6 | | 23,109,240 | | 23,109,240 |
| Reserves | | | 6,380,384 | | 6,374,746 |
| Deficit | | | (29,514,224) | | (29,409,233) |
| **TOTAL EQUITY (DEFICIENCY)** | | | **(24,600)** | | **74,753** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | $ | **15,623** | **$** | **91,435** |

Subsequent events (Note 10)

**APPROVED BY THE DIRECTORS ON JANUARY 27, 2016:**

***"Lewis Dillman"***
Director

***"Eugene Beukman"***
Director

**See accompanying notes to the consolidated financial statements**

AAN Ventures Inc.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

| | | For the Years Ending | |
|---|---|---|---|
| | Note | September 30, 2015 | September 30, 2014 |
| **Expenses** | | | |
| Foreign exchange loss | | $ - | $ 522 |
| Management fee | 7 | 5,000 | 10,000 |
| Office and miscellaneous | | 545 | 8,606 |
| Professional fees | 7 | 17,810 | 9,742 |
| Property investigation costs | | - | 54,348 |
| Rent and administration | 7 | 41,500 | 30,500 |
| Transfer agent and regulatory fees | | 14,187 | 15,370 |
| | | **79,042** | **129,088** |
| **Other items** | | | |
| Other income | | 741 | 11,520 |
| Impairment of loan receivable | 5 | (26,690) | - |
| | | **(104,991)** | **11,520** |
| **Comprehensive loss** | | **$ (104,991)** | **$ (117,568)** |
| **Basic and diluted loss per share** | | $ (0.01) | $ (0.01) |
| **Weighted average shares outstanding -basic and diluted** | | **36,753,079** | **36,753,079** |

**See accompanying notes to the consolidated financial statements**

AAN Ventures Inc.
Consolidated statement of changes in deficiency
For the years September 30, 2015 and 2014
(Expressed in Canadian Dollars)

| | | Share capital | | | Reserves | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Number of shares | Amount | Subscriptions receivable | Stock based payment reserve | Foreign currency translation 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 |
| Translation gain | | - | - | - | - | 2,383 | - | 2,383 |
| Net loss | | - | - | - | - | - | (117,568) | (117,568) |
| **Balance, September 30, 2014** | | **36,753,079** | **23,109,240** | **-** | **6,372,363** | **2,383** | **(29,409,233)** | **74,753** |
| Translation gain | | - | - | - | - | 5,638 | - | 5,638 |
| Net loss | | - | - | - | - | - | (104,991) | (104,991) |
| **Balance, September 30, 2015** | | **36,753,079** | **$ 23,109,240** | **$ -** | **$ 6,372,363** | **$ 8,021** | **$ (29,514,224)** | **$ (24,600)** |

**See accompanying notes to the consolidated financial statements**

AAN Ventures Inc.
Consolidated statements of cash flows
For the years ended September 30, 2015 and 2014
(Expressed in Canadian Dollars)

| | | For the Years Ending | | |
|---|---|---|---|---|
| | | **September 30, 2015** | | **September 30, 2014** |
| **Operating activities** | | | | |
| Net loss | $ | (104,991) | $ | (117,568) |
| Changes in non-cash working capital items: | | | | |
| Receivables | | 2,774 | | (2,647) |
| Accounts payable | | (7,719) | | 5,992 |
| Accrued liabilities | | 2,000 | | - |
| Due to related parties | | 34,260 | | (32,200) |
| **Net cash flows used in operating activities** | | **(73,676)** | | **(146,423)** |
| **Financing activities** | | | | |
| Subscriptions receivable | | - | | 30,000 |
| **Net cash flows provided by financing activities** | | **-** | | **30,000** |
| Effect of foreign exchange | | 5,638 | | 2,383 |
| Change in cash | | (68,038) | | (114,040) |
| Cash, beginning | | 83,043 | | 197,083 |
| **Cash, ending** | $ | **15,005** | $ | **83,043** |

**See accompanying notes to the consolidated financial statements**

## 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'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 September 30, 2015, the Company was not able to finance its 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.

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

**Statement of compliance**
These consolidated 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").

**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 US subsidiary, Ona Power Oil & Gas Corp. ("Ona"), which is incorporated in Delaware, USA. All intercompany balances and transactions between the Company and its subsidiary have been eliminated on consolidation.

***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.

**3. Significant accounting policies (continued)**

***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 entity 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 the parent company’s functional and presentational currency. The functional currency of Ona is the US dollar.

Transactions and balances:

Foreign currency transactions are translated into 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. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company’s presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company’s foreign currency translation reserve. These differences are recognized in the profit or loss in the period in which the operation is disposed of.

***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

**3. Significant accounting policies (continued)**

*Fair value through profit or loss ("FVTPL")* - Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. They are subsequently measured at fair value with changes in fair value recognized in profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortized cost using the effective interest method less any provision for impairment. 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. Sales tax recoverable are designated as loan and receivables.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company does not hold any held-to-maturity financial assets.

*Available-for-sale* – These consist of non-derivative financial assets that are designated as available-for sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company does not hold any available-for-sale assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company has the following non-derivative financial liabilities: accounts payable and amounts due to related parties. Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. The Company does not have any derivative financial assets and liabilities.

***Impairment of financial assets***
Financial assets are assessed for indicators of impairment at each statement of financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For unlisted shares classified as available-for-sale ("AFS"), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

(Expressed in Canadian Dollars)

**3. Significant accounting policies (continued)**

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the probability that the borrower will enter bankruptcy or financial re-organization.

***Deferred Taxes***

The Company uses the liability method of accounting for income taxes, under which deferred income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases.

Deferred income tax assets and liabilities are measured using income tax rates in effect for the period in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in income tax rates or laws is recognized as part of the provision for income taxes in the period the changes are considered substantively enacted.

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. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

***Significant estimates and assumptions***

The preparation of financial statements in accordance with IFRS may require the Company to make estimates and judgments concerning the future. The Company's management reviews these estimates and underlying judgments on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

The preparation of these consolidated financial statements did not require management to make any significant estimates.

***Significant Judgements***

The preparation of financial statements in accordance with IFRS require the Company to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgement in preparing the Company's financial statements included the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

***New accounting standards***

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2015, and have not been applied in preparing these consolidated financial statements. These new standard are not expected to have a significant effect on the consolidated financial statements of the Company.

**4. Receivables**

| | | **September 30, 2015** | | **September 30, 2014** |
|---|---|---|---|---|
| GST | $ | 618 | $ | 1,262 |
| Other receivable | | - | | 2,130 |
| | $ | 618 | $ | 3,392 |

(Expressed in Canadian Dollars)

## 5. Loan receivable

| | | September 30, 2015 | | September 30, 2014 |
|---|---|---|---|---|
| Loan receivable | $ | 26,690 | $ | - |
| Loan provision | | (26,690) | | - |
| | $ | - | $ | - |

On December 8, 2014, the Company entered into a loan agreement with Keblo Energy LLC, whereby the Company advanced $26,690 (US$20,000) to Keblo Energy LLC. Due to the unlikely collectability of the loan, a provision of $26,690 was recorded against the loan receivable.

## 6. Share capital

***Authorized share capital***

Unlimited number of common shares without par value.

***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 or cancel any options, nor did any expire, during the years ended September 30, 2015 and 2014.

There were 241,667 options outstanding at September 30, 2015 and 2014 with an exercise price of $0.30 and a weighted average remaining life of 0.42 year (2014-1.42 years) respectively.

***Share Purchase Warrants***

The Company did not issue or cancel any warrants, nor did any expire, during the years ended September 30, 2015 and 2014.

As at September 30, 2015 and 2014, there were 2,666,666 warrants outstanding with the exercise price $0.05 and a weighted average remaining life of 0.27 year as at September 30, 2015 (Note 10).

**Reserves**

***Share based payment reserve***

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

***Foreign currency translation reserve***

The foreign currency translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

(Expressed in Canadian Dollars)

## 7. Related party transactions

***Related party transactions***

The Company incurred the following transactions with a Company controlled by the chief Executive Officer (CEO):

| | | September 30, 2015 | | September 30, 2014 |
|---|---|---|---|---|
| Rent and administration | $ | 41,500 | $ | 30,500 |

***Key management personnel compensation***

During the year ended September 30, 2015, a $5,000 management fee (2014 - $10,000) was paid to CEO of the Company.

During the year ended September 30, 2015, the Company incurred $1,350 (2014 - $1,950) for accounting services to a company controlled by the former Chief Financial Officer ("CFO"), $1,200 (2014 - $Nil) to a company controlled by the former CFO, and $300 (2014 - $Nil) to the current CFO.

***Due to related parties***

As at September 30, 2015, $27,700 (2014 - $Nil) was owing to a Company controlled by the CEO.

As at September 30, 2015, $1,260 (2014 - $Nil) was owing to a Company controlled by a former CFO.

As at September 30, 2015, $300 (2014 - $Nil) was owing to a Company controlled by the CFO.

All amounts due to related parties are unsecured, non-interest bearing and due on demand.

## 8. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Net loss | $ | (104,991) | $ | (117,568) |
| Statutory tax rate | | 26% | | 26% |
| Expected income tax recovery | | (27,297) | | (30,568) |
| Effect of change in tax rates | | (2,838) | | (4,297) |
| Expired losses carry forward | | 37,920 | | 46,282 |
| Change in valuation allowance | | (7,785) | | (11,417) |
| Income tax recovery | $ | - | $ | - |

The Company has the following deductible temporary differences for which no deferred tax has been recognized:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Non-capital losses carry-forward | $ | 1,209,217 | $ | 1,222,262 |
| Capital losses carry-forward | | 1,855,342 | | 1,855,342 |
| Mineral properties | | 126,622 | | 144,489 |
| Cumulative eligible capital | | 66,786 | | 66,786 |
| Equipment | | 261 | | 261 |
| Others | | 106,154 | | 106,154 |
| Less: Valuation allowance | | (3,364,382) | | (3,395,294) |
| Net deferred income tax assets | $ | - | $ | - |

(Expressed in Canadian Dollars)

## 8. Income Taxes (continued)

As at September 30, 2015, the Company's has $4,836,868 in non-capital losses which expire as follows:

| Year | | Amount |
|---|---|---|
| 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 |
| 2035 | | 77,998 |
| **Total** | $ | 4,836,868 |

## 9. 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.

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. The work is determined to be high.

***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.

(Expressed in Canadian Dollars)

**9. 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:

| | | September 30, 2015 | | September 30, 2014 |
|---|---|---|---|---|
| Cash | $ | 15,005 | $ | 83,043 |
| Receivables | | 618 | | 3,392 |
| Due from related parties | | - | | 5,000 |
| | $ | 15,623 | $ | 91,435 |

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

| | | September 30, 2015 | | September 30, 2014 |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Accounts payable | $ | 963 | $ | 8,682 |
| Due to related parties | | 29,260 | | - |
| | $ | 30,223 | $ | 8,682 |

***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.

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

| | As at September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | Level 1 | | Level 2 | | Level 3 |
| Cash | $ | 15,005 | $ | - | $ | - |

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

**10. Subsequent events**

a) On January 7, 2016, 2,666,667 warrants with an exercise price of $0.05 expired unexercised.

b) On January 8, 2016, the Company closed a non-brokered private placement. The Company raised $200,000 from the issuance of 10,000,000 units at a price of $0.02 per unit.

   Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.05 per share for a period of two years.