INNOVATIVE PROPERTIES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

(EXPRESSED IN CANADIAN DOLLARS)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Innovative Properties Inc.

We have audited the accompanying financial statements of Innovative Properties Inc., which comprise the statements of financial position as at October 31, 2015 and 2014, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's 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 auditor's 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 Innovative Properties Inc. as at October 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
February 28, 2016

Innovative Properties Inc.
Statements of financial position
(Expressed in Canadian dollars)

	Note	October 31, 2015	October 31, 2014
ASSETS		$	$
Current assets			
Cash and cash equivalents	4	305,606	454,132
Marketable securities	5	927,015	18,562
Prepaid expenses		1,050	-
Loans receivable from related parties	7	31,900	2,819
Other receivables		1,530	6,708
Trade receivables due from related parties	7	349,333	399,277
		1,616,434	881,498
Non-current assets			
Deferred tax asset	13	160,145	283,918
Equipment	8	530	1,373
TOTAL ASSETS		**1,777,109**	**1,166,789**
LIABILITIES			
Current liabilities			
Payables and accrued liabilities	9	43,460	70,265
Due to related parties	7	-	3,000
Deferred revenue	10	45,000	93,150
TOTAL LIABILITIES		88,460	166,415
SHAREHOLDERS' EQUITY			
Share capital	11	1,758,082	1,508,082
Reserves	12	541,896	541,896
Deficit		(611,329)	(1,049,604)
TOTAL EQUITY		1,688,649	1,000,374
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,777,109**	**1,166,789**

Commitment (Note 16)

Approved for issuance by the Board of Directors on February 28, 2016:

"Eugene Beukman"
Director

"Gurdeep Johal"
Director

The accompanying notes are an integral part of the financial statements

Innovative Properties Inc.
Statements of comprehensive loss
(Expressed in Canadian dollars)
For the years ended October 31, 2015 and 2014

	Note	October 31, 2015	October 31, 2014
		$	$
Revenue	7	1,169,204	983,750
Expenses			
Advertising		-	1,045
Amortization	8	843	17,488
Bad debt expense (recovery)	7	48,455	(10,150)
Bank charges and interest expense		630	611
Filing and transfer fees		73,064	32,559
Insurance		-	2,788
Management and consulting fees	7	65,375	27,000
Maintenance		-	3,695
Office and miscellaneous		25,115	61,641
Professional fees	7	28,231	40,890
Rent	7	330,000	180,000
Salaries		245,394	177,965
Vehicle		6,009	19,664
		(823,116)	(555,196)
Other items			
Gain on settlement of accounts receivable	5	-	8,083
Gain (loss) on marketable securities	5	366,668	(17,495)
Gain on foreign exchange		8,538	-
Write-off of loans receivable	6,7	(162,082)	-
Interest income	7	2,836	-
		215,960	(9,412)
Net income before tax		562,048	419,142
Deferred tax (expense) recovery	13	(123,773)	283,918
Net and comprehensive income		438,275	703,060
Income per share - basic and diluted		0.04	0.11
Weighted average number of shares outstanding - basic and diluted		11,141,011	6,414,964

The accompanying notes are an integral part of the financial statements

Innovative Properties Inc.
Statement of changes in shareholders' equity
(Expressed in Canadian dollars)

		Share capital		Reserves				
	Note	Number of Shares	Share Capital	Option reserve	Warrant reserve	Loan reserve	Deficit	Total
			$	$	$	$	$	$
Balance, October 31, 2013		**6,414,966**	**1,508,082**	**102,484**	**315,908**	**123,504**	**(1,752,664)**	**297,314**
Net and comprehensive income		-	-	-	-	-	703,060	703,060
Balance, October 31, 2014		**6,414,966**	**1,508,082**	**102,484**	**315,908**	**123,504**	**(1,049,604)**	**1,000,374**
Shares issued for cash	11	5,000,000	250,000	-	-	-	-	250,000
Net and comprehensive income		-	-	-	-	-	438,275	438,275
Balance, October 31, 2015		**11,414,966**	**1,758,082**	**102,484**	**315,908**	**123,504**	**(611,329)**	**1,688,649**

The accompanying notes are an integral part of the financial statements

Innovative Properties Inc.
Statements of cash flows
(Expressed in Canadian dollars)

	October 31, 2015	October 31, 2014
	$	$
Operating activities		
Net income	438,275	703,060
Adjustments for non-cash items:		
Amortization	843	17,488
Deferred tax expense (recovery)	123,773	(283,918)
Gain on settlement of accounts receivable	-	(8,083)
(Gain) loss on marketable securities	(366,668)	17,495
Accrued interest income	(2,836)	-
Write-off of loans receivable	162,082	-
Bad debt expense (recovery)	48,455	(10,150)
Unrealized foreign exchange gain	(4,902)	-
Changes in non-cash working capital items:		
Other receivables	5,178	(370,809)
Trade receivables due from related parties	1,498	-
Prepaid expenses	(1,050)	-
Payables and accrued liabilities	(26,805)	30,589
Due to related parties	(3,000)	(2,019)
Deferred revenue	(48,150)	93,150
Net cash flows provided by operating activities	326,684	186,803
Investing activities		
Acquisition of equipment	-	(1,597)
Purchase of marketable securities	(541,785)	-
Loans issued	(70,544)	-
Loans issued to related parties	(112,881)	-
Net cash flows used in investing activities	(725,210)	(1,597)
Financing activities		
Issuance of shares for cash	250,000	-
Net cash flows used in financing activities	250,000	-
Increase (decrease) in cash and cash equivalents	(148,526)	185,206
Cash and cash equivalents, beginning	454,132	268,926
Cash and cash equivalents, ending	305,606	454,132

The accompanying notes are an integral part of the financial statements

1. Nature and continuance of operations

Innovative Properties Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on October 31, 2002. The Company's principal activity is providing management and consulting services to various companies. On September 30, 2014 the Company's shares began trading on the Canadian Securities Exchange ("CSE") under the symbol "INR". As of September 5, 2014 the Company voluntarily delisted from the TSX Venture Exchange.

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

2. Statement of compliance

The financial statements of the Company comply 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").

3. Basis of preparation and significant accounting standards

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments measured at their fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions 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.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability and measurement of deferred tax assets, the valuation of warrants, the recoverability of trade receivables and impairment considerations for loans receivable.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include 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 and whether the collection of revenue is reasonably assured.

Revenue recognition

Revenue consists of service revenue generated from management and consulting services. Revenue is recognized when services have been delivered, the amount can be measured reliably, collection is probable and cost incurred or to incur can be measured reliably.

3. Basis of preparation and significant accounting standards (Cont'd)

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, no value is assigned to the warrants.

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

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

Income taxes

Current income tax:

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 countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided 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 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 tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. Basis of preparation and significant accounting standards (Cont'd)

Income taxes (Cont'd)
Deferred tax: (Cont'd)

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

Equipment
Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. 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 of the item can be measured reliably. Repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The Company's equipment consists of computer equipment and computer software. The amortization rate applicable to computer equipment and to computer software is 30% and 100%, respectively.

Impairment of assets
The carrying amount of the Company's non-financial assets (which include equipment) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss. The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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.

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.

3. Basis of preparation and significant accounting standards (Cont'd)

Financial instruments (Cont'd)

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. 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.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities and that the Company intends to hold to maturity. These assets are subsequently measured at amortized cost. 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.

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.

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 group 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.

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 an impairment has arisen.

Income per share

Basic income per share is calculated by dividing the income attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the income attributable to common shareholders equals the reported income attributable to owners of the Company. Diluted income 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 income 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

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.

(Expressed in Canadian dollars)

3. Basis of preparation and significant accounting standards (Cont'd)

Reclassification
Certain prior numbers have been reclassified to conform to the current year presentation.

New Accounting Standards and Interpretations

IFRS 9 *"Financial Instruments"*
IFRS 9 *Financial Instruments* ("IFRS9") was issued by the IASB in October 2010 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective January 1, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

IFRS 15 "Revenue from Contracts with Customers"
This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

4. Cash and cash equivalents

	October 31, 2015	**October 31, 2014**
	$	$
Cash at bank	295,568	444,132
Guaranteed investment certificates	10,038	10,000
	305,606	454,132

(Expressed in Canadian dollars)

5. Marketable Securities

As at October 31, 2015 and 2014, the Company's marketable securities were comprised of investments in shares and share purchase warrants.

October 31, 2015	Cost	Accumulated fair value adjustment	Fair value
	$	$	$
Common Shares	569,759	(52,249)	517,510
Warrants	8,083	401,422	409,505
	577,842	349,173	927,015

October 31, 2014	Cost	Accumulated fair value adjustment	Fair value
	$	$	$
Common Shares	27,974	(13,055)	14,919
Warrants	8,083	(4,440)	3,643
	36,057	(17,495)	18,562

The fair value of the warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	October 31, 2015	October 31, 2014
Expected life of warrants	4.25 years	1.8 years
Annualized volatility	181%	148%
Risk-free interest rate	0.75%	1.04%
Dividend rate	0%	0%

The fair value of certain shares were determined using level 3 inputs, which was their cost price, since they were not considered to be trading in an active market (Note 14).

During the year ended October 31, 2015 the Company purchased 1,000,000 units of a company with a common director (Note 7). As at October 31, 2015, the fair value of this investment was $19,966 with $10,000 allocated to shares and $9,966 allocated to the warrants.

During the year ended October 31, 2014, the Company settled accounts receivable of $27,974 with a company with common directors by converting the amount into subscriptions of a private placement for 186,496 units at $0.15 per unit. Each unit consisted of on common share and one-half warrant. The fair value of the warrants at the settlement date was $8,083 and was recognized as a gain on the settlement of the accounts receivable.

(Expressed in Canadian dollars)

6. Loan receivable

During the year ended October 31, 2015, the company issued the following loan to a third party:

Amount due as at October 31, 2015	Amount written off	Balance as at October 31, 2015	Terms and description
$	$	$	
79,082	79,082	-	USD60,000 (CAD 70,544) was loaned, with USD68,400 including interest and fees due on June 15, 2015. This loan was written off during the year ended October 31, 2015 as it is in default and collectability cannot be reasonably assured.

7. Related party transactions

Related party balances

The following amounts due from related parties, earned from revenues, are included in trade payables due from related parties:

	October 31, 2015	October 31, 2014
	$	$
Companies with parties having significant influence over the Company	349,333	399,277

These amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

As at October 31, 2015, the Company owed $Nil (2014 - $3,000) to a relative of the former Chief Executive Officer. This amount is unsecured, non-interest bearing and has no fixed terms of repayment.

Related party transactions

The Company incurred the following transactions with companies with common directors and companies controlled by relatives of the former CEO and the current CFO:

	October 31, 2015	October 31, 2014
	$	$
Management and consulting fees	35,000	27,000
Accounting fees included in professional fees	17,130	4,110
Rent	330,000	180,000
Revenue	1,169,204	864,250
	1,551,334	1,075,360

(Expressed in Canadian dollars)

7. Related party transactions (Cont'd)

During the year ended October 31, 2015, the Company issued the following loans to companies with common directors, common management, or companies with parties containing significant influence over the Company. These are included in loans receivable from related parties:

Amount due as at October 31, 2015	Amount written off	Balance as at October 31, 2015	Interest income	Terms and description
$	$	$	$	
83,000	83,000	-	-	$83,000 was loaned with interest of 8% due on June 30, 2015. This loan was written off during the year ended October 31, 2015 as it is in default, and collectability cannot be reasonably assured.
20,375		20,375	2,836	$18,355 was loaned with interest of 12% per annum, and is due on demand.
3,150	-	3,150	-	Non-interest bearing, due on demand.
1,050	-	1,050	-	Non-interest bearing, due on demand.
3,925	-	3,925	-	Non-interest bearing, due on demand.
2,200	-	2,200	-	Non-interest bearing, due on demand.
1,200	-	1,200	-	Non-interest bearing, due on demand.
114,900	83,000	31,900	2,836	

As at October 31, 2014, $2,819 was due from a company with former common directors, which was unsecured, non-interest bearing, and had no terms of repayment.

On November 21, 2014, the Company acquired of 1,000,000 units of Bard Ventures Ltd. ("Bard"), a company with a common director, at $0.05 per unit for a payment of $50,000. Each unit consists of one common share in the capital of Bard and one common share pursuant warrant. Each warrant will entitle the Company to purchase one warrant share for a period of 5 years at a price of $0.05 per share (Note 5).

During the year ended October 31, 2015, the Company loaned a company with parties having significant influence over the company $60,000, which was non-interest bearing. This was repaid to the Company during the year ended October 31, 2015.

During the year ended October 31, 2015, the Company wrote off $48,455 (2014 – recovered $10,150) of trade receivables due from related parties due to the uncertainty of collectability.

(Expressed in Canadian dollars)

8. Equipment

	Computer equipment	Computer software	Total
	$	$	$
Cost:			
At October 31, 2013	630	33,701	34,331
Additions	530	1,067	1,597
At October 31, 2014 and 2015	1,160	34,768	35,928
Amortization:			
At October 31, 2013	257	16,810	17,067
Charge for the year	65	17,423	17,488
At October 31, 2014	322	34,233	34,555
Charge for the year	308	535	843
At October 31, 2015	630	34,768	35,398
Net book value:			
At October 31, 2014	838	535	1,373
At October 31, 2015	530	-	530

9. Payables and accrued liabilities

	October 31, 2015	October 31, 2014
	$	$
Trade payables	6,168	8,006
Payroll liabilities	20,329	18,647
GST payable	1,963	28,032
Accrued liabilities	15,000	15,580
	43,460	70,265

10. Deferred revenue

As at October 31, 2015, the Company had $45,000 (2014 - $93,150) in deferred revenue which was prepaid for consulting services by a company with parties who have significant influence over the Company.

11. Share capital

Authorized share capital
Unlimited number of common shares without par value.

Issued share capital
On October 7, 2014 the Company received approval from the Canadian Securities Exchange (“CSE”) to consolidate its shares on the ratio of one new share for three old shares. All shares and per share amounts have been shown on a post consolidation basis.

(Expressed in Canadian dollars)

11. Share Capital (Cont'd)

Private placements

On November 20, 2014 the Company completed a non-brokered private placement of 5,000,000 units at $0.05 per unit for proceeds of $250,000. Each unit consists of one common share and one common 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 five years. No finder's fees were paid for this financing. The value allocated to the warrants was $Nil.

Stock options

The Company has a stock option plan whereby the Company may 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 20% 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. All options expire on a date not later than 10 years after issuance, and vest at the discretion of the Board of Directors.

There were no options outstanding as at October 31, 2015 and October 31, 2014.

Warrants

	October 31, 2015		October 31, 2014	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Warrants outstanding, beginning	-	-	5,294,118	0.27
Warrants issued	5,000,000	0.05	-	-
Warrants expired	-	-	(5,294,118)	-
Warrants outstanding, ending	5,000,000	0.05	-	-

The warrants outstanding expire on November 20, 2019, and have a remaining life of 4.06 years as at October 31, 2015.

12. Reserves

Option reserve

The 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. If the options expire unexercised, the amount recorded will remain in the account.

Warrant reserve

The warrant reserve records the fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded will remain in the account.

Loan Reserve

Recorded in the loan reserve is the equity portion of convertible debentures issued during the year ended October 31, 2010.

(Expressed in Canadian dollars)

13. Income tax

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

	2015	2014
	$	$
Net income before tax	562,048	419,142
Statutory tax rate	26%	26%
Expected income tax expense at statutory rate	146,132	108,977
Non-deductible items and other permanent differences	(47,667)	(2,100)
Effect of changes in tax rates	-	(15,031)
Effect of prior year adjustments	25,308	-
Change in valuation allowance	-	(375,764)
Total income tax expense (recovery)	123,773	(283,918)

The Company has the following deferred tax assets and liabilities:

	2015	2014
	$	$
Deferred income tax assets:		
Non-capital loss carry-forward	203,549	267,734
Marketable securities	(46,443)	4,549
Cumulative eligible capital	3,019	2,337
Equipment	20	9,298
Total deferred income tax asset	160,145	283,918

The Company has non-capital losses of approximately $780,000, which expire between 2026 to 2032.

14. Financial risk management and capital 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, counterparty 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 and its trade receivables due from related parties. Cash is deposited in bank accounts held with major banks in Canada. 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 major banks that are high credit quality financial institutions as determined by rating agencies.

Trade receivables consists of amounts due from companies in the development stage, increasing credit risk. The Company has recorded impairments for receivables where there are indications the debtor cannot pay the balance owing.

(Expressed in Canadian dollars)

14. Financial risk management and capital management (Cont'd)

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.

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 foreign exchange risk as it has written off its financial instruments held in a foreign currency as at October 31, 2015.

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's exposure to interest rate risk is minimal.

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 equity, comprising share capital, net of accumulated deficit.

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:

	October 31, 2015	October 31, 2014
	$	$
Loans and receivables:		
Cash and cash equivalents	305,606	454,132
Other receivables	1,530	6,708
Loans receivable from related parties	31,900	2,819
Trade receivables due from related parties	349,333	399,277
FVTPL:		
Marketable securities	927,015	18,562
	1,615,384	881,498

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

	October 31, 2015	October 31, 2014
	$	$
Trade payables	6,168	8,006
Payroll liabilities	20,329	18,647
Due to related parties	-	3,000
	26,497	29,653

(Expressed in Canadian dollars)

14. Financial risk management and capital management (Cont'd)

Fair value

The fair value of the Company's financial assets and liabilities approximates the 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.

	As at October 31, 2015		
	Level 1	Level 2	Level 3
	$	$	$
Cash and cash equivalents	305,606	-	-
Marketable securities	67,160	-	859,855

The fair value of the Company's trade receivables, loans receivable from related parties and trade receivables due from related parties approximate their carrying value due to their short terms to maturity.

15. Segment information

The Company operates in one reportable segment, providing management and consulting services. During the year ended October 31, 2015, the Company earned 100% of its revenues from companies under common control.

16. Commitment

The Company has a lease rental agreement, with a company which has parties in common that have significant influence over the Company, of $27,500 per month, expiring April 30, 2019.