

**Seaway Energy Services Inc.
Financial Statements
(In Canadian Dollars)
September 30, 2016**

Contents

Financial Statements	
Auditors' Report	2
Statements of Financial Position	3
Statements of Operations, Comprehensive Loss	4
Statements of Shareholders' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 16



JACKSON & COMPANY

Chartered Accountants

800 – 1199 West Hastings Street
Vancouver, British Columbia
Canada V6E 3T5
Telephone: +1 604 630 3838
Facsimile: +1 888 241 5996

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Seaway Energy Services Inc.

We have audited the accompanying financial statements of Seaway Energy Services Inc. which comprise of the statements of financial position as at September 30, 2016 and 2015, and the statements of comprehensive income (loss), cash flows and changes in equity for the years then ended, and the related notes comprising 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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 our 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, we consider 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 audit 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 Seaway Energy Services Inc. as at September 30, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt upon Seaway Energy Services Inc.'s ability to continue as a going concern.

Jackson & Company
CHARTERED ACCOUNTANTS

Vancouver, British Columbia
January 27, 2017

Seaway Energy Services Inc.
Statements of Financial Position
(In Canadian Dollars)

September 30, September 30,
2016 2015

As at

Assets

Current

Cash and cash equivalents	\$	16,645	\$	28
GST receivable		20,619		11,739
		37,264	\$	11,767

Liabilities and Shareholders' Equity

Current

Accounts payable and accrued liabilities	\$	11,530	\$	154,086
Promissory note (Note 4)		-		-
		11,530		154,086

Share capital (Note 6(b))

Contributed surplus

Deficit

	3,262,806		2,885,306	
	525,046		525,046	
	(3,762,118)		(3,552,671)	
	25,734		(142,319)	
	\$	37,264	\$	11,767

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

/s/ David Sidoo
 Director

/s/ Nick Demare
 Director

Seaway Energy Services Inc.
Statements of Operations, Comprehensive Loss
(In Canadian Dollars)

For the years ended September 30	2016	2015
Expenses		
General and administrative (Note 10)	\$ 247,285	\$ 65,024
Forgiveness of debt	(37,838)	-
Impairment of the advances to Peepl (Note 6)	-	114,000
	<u>209,447</u>	<u>179,024</u>
Net and comprehensive loss for the year	\$ (209,447)	\$ (179,024)
<hr/>		
Net earnings (loss) per share		
- basic and diluted	\$ (0.044)	\$ (0.044)
Weighted average shares outstanding		
- basic and diluted (1)	4,786,870	4,102,746

(1) The options and warrants have been excluded from the diluted per share computation as they are anti-dilutive

The accompanying notes are an integral part of these financial statements.

Seaway Energy Services Inc.
Statements of Shareholders' Equity
(In Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance October 1, 2015	\$ 2,885,306	\$ 525,046	\$ (3,552,671)	\$ (142,319)
Private placement	380,500	-	-	380,500
Private placement fees paid	(3,000)	-	-	(3,000)
Net loss for the year	-	-	(209,447)	(209,447)
Balance September 30, 2016	\$ 3,262,806	\$ 525,046	\$ (3,762,118)	\$ 25,734

	Share Capital	Contributed Surplus	Deficit	Total Equity (Deficiency)
Balance October 1, 2014	\$ 2,885,306	\$ 525,046	\$ (3,373,647)	\$ 36,705
Net loss for the year	-	-	(179,024)	(179,024)
Balance September 30, 2015	\$ 2,885,306	\$ 525,046	\$ (3,552,671)	\$ (142,319)

The accompanying notes are an integral part of these financial statements.

Seaway Energy Services Inc.
Statements of Cash Flows
(In Canadian Dollars)

For the year ended September 30	2016	2015
Cash flows from (used in) operating activities		
Net loss for the year	\$ (209,447)	\$ (179,024)
Items not involving cash:		
Impairment of the advances to Peepl	-	114,000
Gain on debt settlement	(37,838)	-
Change in non-cash working capital balances:		
GST receivable	(8,880)	(7,192)
Prepaid expenses	-	3,004
Accounts payable and accrued liabilities	(104,718)	47,526
Cash flow used in operating activities	<u>(360,883)</u>	<u>(21,686)</u>
Cash flows from (used in) financing activities		
Issuance of common shares, net of costs	377,500	-
Promissory note	15,000	-
Repayment of promissory note	(15,000)	-
Cash flow from (used in) financing activities	<u>377,500</u>	<u>-</u>
Cash flows from (used in) investing activities		
Repayment of advances by Peepl	-	21,000
Advances to Peepl	-	-
Cash flow used in investing activities	<u>-</u>	<u>21,000</u>
Decrease in cash and cash equivalents	16,617	(686)
Cash and cash equivalents, beginning of year	<u>28</u>	<u>714</u>
Cash and cash equivalents, end of year	\$ 16,645	\$ 28
Supplemental information		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

1. Corporate Information

Seaway Energy Services Inc. ("Seaway" or the "Company") was incorporated under the Business Corporations Act (Alberta) on September 4, 1998. The principal activities of Seaway were the provision of environmental consulting services to the petroleum and natural gas industry until March 31, 2012 when the Company ceased active operations as further discussed in Note 2. The Company's common shares trade on the TSX Venture exchange under the symbol SEW.

The head office and registered office of the Company is located at Suite 1305, 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7, Canada.

2. Basis of Presentation

Statement of compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The policies applied in these financial statements are based on IFRS issued and outstanding as of January 27, 2017, the date they were approved and authorized for issuance by the Board of Directors ("the Board").

Going concern assumption

These financial statements have been prepared on a going concern basis, under which the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has no active ongoing operations and is prudently managing administrative costs and additional capital will be required to facilitate other business opportunities. The current market environment for idle public companies may cast significant doubt about the Company's ability to continue as going concern. The financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of property and equipment, liabilities, the reported expenses, and the classifications used in the statement of financial position. Such adjustments could be material.

Basis of Measurement

The financial statements have been prepared on the historical cost basis, which is based on the fair value of the consideration at the time of the transaction, except for certain financial instruments which are accounted for at fair value.

Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is the functional currency of Seaway.

Use of Estimates, Judgments and Assumptions

The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of

2. Basis of Presentation - continued

these financial statements are as follows:

Stock-based compensation – assumptions and estimates are used in determining the inputs used in the Black-Scholes option pricing model, including assumptions regarding volatility, dividend yield, risk-free interest rates, forfeiture estimates and expected option lives.

Deferred income taxes – assumptions and estimates are made regarding the amount and timing of realization and/or settlement of the temporary differences between the accounting carrying value of the Company's assets versus the tax basis of those assets, and the tax rates at which the differences will be recovered or settled in the future.

Available for sale investments – the recoverability of the Company's investment is dependent on the liquidity of the private Company shares, which is based in part on the ability to complete acquisitions. The Company will assess at each reporting period whether there is any objective evidence that a financial asset has been impaired. When the fair value of the investment cannot be derived from active markets, they are determined using recent transactions or a variety of valuation techniques that may include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. Significant Accounting Policies

Available for sale financial assets:

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified within loans and receivables or financial assets at fair value through profit or loss. Subsequent to initial recognition, they are measured at the lower of fair value or initial cost. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net income for the period.

Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing price on the issuance date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to accumulated deficit.

3. Summary of Significant Accounting Policies - continued

Share based compensation

The Company has established a share based compensation plan (the "Plan") comprised of a Stock Option Plan (note 7(c)). The Company uses the fair value method for valuing share based compensation. Under this method, the compensation cost attributed to stock options granted is

measured at the fair value at the grant date using the Black-Scholes options pricing model and expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of option or units that vest. Upon the settlement of the stock options, the previously recognized value in contributed surplus is recorded as an increase to shareholders' equity.

Income tax

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statements of operations and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted substantively at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Earnings per share

Basic earnings (loss) per share is calculated by dividing the net earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on the exercise of the in the money stock options and warrants would be used to purchase common shares at the average market price for the period.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax "risk-free" rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

3. Summary of Significant Accounting Policies - continued

New standards and interpretations not yet adopted:

The standards and interpretations that are issued but not yet effective up to the date of issuances of the Company's financial statements are listed below.

(a) The following new and amended standards have been adopted by the Company effective

(a) October 1, 2014:

IAS 32 – Offsetting Financial Assets and Liabilities

The IASB amended IAS 32 to clarify when an entity has a legally enforceable right to set-off and net versus gross settlement mechanisms. The Company adopted certain the amendments to IAS 32 in its financial statements for the annual period beginning October 1, 2014. The adoption of the amendments did not have a material impact on the financial statements.

IFRIC 21 - Levies

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, contingent Liabilities and Contingent Assets ("IAS 37") and those where the timing and amount of the levy is certain. It defines the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company assessed IFRIC 21 and determined that the adoption did not result in any change on the financial statements.

(b) The standards and interpretations that are issued but not yet effective up to the date of issuances of the Company's financial statements are listed below. The Company is currently analyzing the impact, if any, that the adoption of these standards will have on its financial statements

IAS 1 Presentation of Financial Statements ("IAS 1")

In December 2014, the IASB issued amendments to IAS 1. The amendments are part of the IASB's Disclosure Initiative to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when preparing their financial statements. The amendments may impact presentation relating to materiality, presentation of financial position and profit or loss and other comprehensive income, and notes to the financial statements. These amendments will be effective for annual periods beginning on or after January 1, 2016. Earlier application permitted. The standard will be effective on October 1, 2016 for the Company.

IFRS 9 – Financial Instruments

In July 2014, the IASB amended IFRS 9, "Financial Instruments", to bring together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The standard supersedes all previous versions of IFRS 9 and is effective on January 1, 2018. Earlier application is permitted. The standards will be effective on October 1, 2018 for the Company.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and other revenue related interpretations. The standard has an effective date for annual reporting periods beginning on or after January 1, 2018 and is available for early adoption. The standard will be effective on October 1, 2018 for the Company.

3. Summary of Significant Accounting Policies - continued

Amendments to IAS 16 and IAS 38

In May 2014, the IASB issued amendments to IAS 16 Property, Plant, and Equipment and IAS 38 Intangible Assets. These amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. They also introduced a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The amendments explain that an expected future reduction in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Early Adoption is allowed. These amendments will be effective on October 1, 2016 for the Company.

4. Promissory Note

On January 25, 2016, the Company closed a \$15,000 Promissory Note financing with an arm's length party. The Promissory Note bears interest at 20% per annum and is due on January 25, 2017. If the Promissory Note is paid by July 25, 2016, no interest will be payable. The note was repaid in full before July 25, 2016.

5. Share Capital

(a) Authorized

Unlimited number of preferred shares

Unlimited number of common voting shares without nominal or par value

Unlimited number of share purchase warrants

On April 11, 2016, the Company consolidated its share capital on three for one basis.

(b) Issued and outstanding

	September 30, 2016		September 30, 2015	
	Shares	Amounts	Shares	Amounts
Common shares				
Balance, beginning	1,367,582	\$ 2,885,306	1,367,582	\$ 2,885,306
Private placement ⁽ⁱ⁾	7,610,000	380,500	-	-
Private placement fees ⁽ⁱ⁾	-	(3,000)	-	-
Balance, ending	8,977,582	\$ 3,262,806	1,367,582	\$ 2,885,306
Warrants				
Balance, beginning	404,999		404,999	
Private placement ⁽ⁱ⁾	3,805,000		-	
Expired	(404,999)		-	
Balance, ending	3,805,000		404,999	

(i) On April 19, 2016, the Company closed a private placement for 7,610,000 Units sold at a price of \$0.05 per Unit. Each unit comprises one share and one half share purchase warrant exercisable at \$0.10 per share for a period of 24 months from the date of closing. Finder's fee of \$3,000 cash was paid. The attached warrants had a \$NIL residual value.

5. Share Capital – continued

(c) Stock options

The Company has a stock option plan that provides for the issuance to its directors, officers, employees and consultants options to purchase from treasury a number of common shares not exceeding 10% of the common shares that are outstanding from time to time which is the number of shares reserved for issuance under the plan. Options granted under the plan have varying vesting periods as determined by the Board at the grant date. Options can be exercisable for a maximum of five years from the effective date. The options are non-transferable if not exercised. Pursuant to the Stock Option Plan, the exercise price of options will be set by the Board at the time options are granted and cannot be less than the discounted market price, except as permitted by the Exchange. A summary of the status of the Company's stock option plan as at September 30, 2016 and September 30, 2015 and changes during the respective periods ended on those dates is presented below.

Stock Options	September 30, 2016		September 30, 2015	
	Number of options	Weighted average exercise price	Number of Options	Weighted average exercise price
Beginning of year	93,333	\$0.405	93,333	\$0.405
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
End of period	93,333	\$0.405	93,333	\$0.405
Exercisable, end of year	93,333	\$0.405	93,333	\$0.405

Subsequent to the year ended September 30, 2016, 93,333 options expired unexercised.

6. Advances to Peepl

Seaway had previously entered into a non-binding, arm's-length letter of intent ("LOI") dated April 16, 2014, with Peepl Media Inc., pursuant to which Seaway will acquire all of the issued and outstanding securities of Peepl in exchange for common shares in the capital of Seaway, and Peepl will become a wholly owned subsidiary of Seaway. The transaction would have constituted a change of business under the policies of the TSX Venture Exchange ("Exchange") and is subject to Exchange approval. On execution of the LOI, Seaway paid a \$25,000 non-refundable deposit to Peepl as consideration for entering into the LOI. In addition, Seaway advanced loans totaling \$110,000 to Peepl. Peepl repaid \$21,000 of the advance in January 2015.

On January 4, 2016, the Company's board of directors has determined that financing of the Peepl transaction would be extremely difficult given a potential trademark dispute between Peepl and a business with a similar operating name and decided to terminate the transaction.

In light of the circumstances that lead to the termination of the transaction with Peepl and Peepl's financial condition, Seaway impaired the advances made as it is doubtful it will be able to collect any of the funds advanced.

7. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate and foreign currency, liquidity, and fair value risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. These risks are outlined more fully below.

Financial instrument:	Category:
Cash and cash equivalents	Held for trading
Accounts receivable	Loans receivable
Accounts payable and accrued liabilities	Other financial liabilities

(a) Fair value of financial instruments

The Company has determined that the fair values of the financial instruments consisting of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and convertible debentures are not materially different from the carrying values of such instruments reported on the statement of financial position due to their short-term nature.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

All financial assets (except for cash and cash equivalents which are classified as held for trading and the investment is Sierra classified as available for sale), are classified as either loans or receivables and are accounted for on an amortized cost basis. All financial liabilities are classified as other liabilities. There have been no changes to the aforementioned classifications during the year ended September 30, 2016 and September 30, 2015.

(b) Liquidity risk

Liquidity risk includes the risk that, as a result of operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

7. Financial Instruments - continued

Trade and other payables

	September 30, 2016	September 30, 2015
Trade	\$ 1,530	\$ 147,586
Accrued	<u>10,000</u>	<u>6,500</u>
Total accounts payable	<u>\$ 11,530</u>	<u>\$ 154,086</u>

Seaway will be required to raise funds in order to fund its current working capital deficit in order to meet its current obligations while it endeavors to facilitate other business opportunities. As these variables change, liquidity risks may necessitate the need for the Company to conduct further equity issues.

8. Capital Risk Management

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. Managed capital consists of the Company's current working capital (current assets less current liabilities). The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective is met by retaining adequate equity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's capital risk management approach during the year ended September 30, 2016 from September 30, 2015.

9. Commitments and Contingencies

From time to time, the Company may be involved in litigation or has claims sought against it in the normal course of business operations. Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations.

Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The Company has no outstanding claims having a potentially material adverse effect on the Company as a whole.

10. Personnel Expenses

Included in general and administrative expenses is 2016 - \$53,828 (2015 - \$15,593) related to payroll, severance, consulting and director compensation (former and current). Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include officers and non-executive directors. Executive officers are paid either a salary or management fees and are entitled to participate in the Company's stock option program. Non-executive directors may also participate in the Company's stock option program and may be paid fees for services. Key management personnel compensation is comprised of the following:

	2016	2015
Management salary/fees and benefits	\$ 53,828	\$ 15,593

All the aforementioned payments are considered related party transactions and are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities is \$NIL (2015 - \$57,647) due to Officers and Directors of the Company with respect to consulting fees and payment made on behalf of the Company.

11. Income taxes

- (a) The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to income before income taxes. The major components of these differences are explained as follows:

	2016	2015
Loss before taxes	\$ (209,447)	\$ (179,024)
Corporate income tax rate	26.0%	26.0%
Computed expected tax recovery	\$ (54,456)	\$ (46,546)
Increase in income taxes resulting from:		
Other permanent differences	10,981	130
Rate adjustments	-	(21,738)
Valuation allowance	43,475	68,154
Income tax expense	\$ -	\$ -

- (b) Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of the Company's deferred income tax assets and liabilities are as follows:

	2016	2015
Nature of temporary differences		
Capital losses	\$ 36,140	\$ 37,530
Non-capital losses	323,330	278,561
Share issue costs and finance fees	1,572	1,476
Valuation allowance	(361,042)	(317,567)
Deferred income tax asset	\$ -	\$ -

Deferred income tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefit.

11. Income taxes – continued

- (c) The Company has non-capital losses of approximately \$1,244,000, which are available to reduce taxable income in future years. If unutilized, these losses will expire as follows: 2028 - \$66,000, 2032 - \$145,000, 2033 - \$546,000, 2034 - \$205,000, 2035 - \$70,000, and 2036 - \$212,000. In addition, the Company has \$139,000 of capital losses available to reduce future capital gains.
-

12. Subsequent events

On October 20, 2016, the Company granted stock options to directors, officers, and consultants to purchase up to 890,000 shares of the Company, at a price of \$0.20 per share for a term of five years.