KENNA RESOURCES CORP.

FINANCIAL STATEMENTS

December 31, 2015 and 2014

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kenna Resources Corp.

We have audited the accompanying financial statements of Kenna Resources Corp., which comprise the statements of financial position as at December 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 Kenna Resources Corp. as at December 31, 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 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.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 14, 2016

KENNA RESOURCES CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	December 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash		$ 725,679	$ 445,693
Accounts receivable and prepaid expenses	3	7,592	76,108
		733,271	521,801
Non-current assets			
Exploration and evaluation asset	4	242,384	242,384
TOTAL ASSETS		**$ 975,655**	**$ 764,185**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	5	$ 61,000	$ 16,393
TOTAL LIABILITIES		**61,000**	**16,393**
SHAREHOLDERS' EQUITY			
Share capital	7	1,754,138	1,529,889
Share-based payment reserve	7	243,175	112,795
Deficit		(1,082,658)	(894,892)
TOTAL SHAREHOLDERS' EQUITY		**914,655**	**747,792**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 975,655**	**$ 764,185**

Note 1 – Nature of Operations and Going Concern
Note 11 – Subsequent Event

"Timothy Fernback" Director *"Sean Bromley"* Director

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

KENNA RESOURCES CORP.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Notes	Years ended December 31, 2015	December 31, 2014
Expenses			
Accounting and audit	8	$ 20,333	$ 22,292
Legal		17,304	29,143
Consulting	8	106,633	151,585
Insurance		1,439	10,318
Transfer agent, listing and filing fees		16,498	18,954
Travel		12,805	16,716
Office and miscellaneous		12,754	25,838
		187,766	274,846
Other item			
Interest income		-	1,789
Net and comprehensive loss for the year		**(187,766)**	(273,057)
Loss per share – basic and diluted		**$ (0.04)**	$ (0.19)
Weighted average number of common shares outstanding		**5,127,059**	1,476,868

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

KENNA RESOURCES CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

		Share Capital				
	Notes	Number of Shares	Amount	Share-based payment reserve	Deficit	Total
Balance at December 31, 2013		**841,698**	**$ 1,054,453**	**$ 112,795**	**$ (621,835)**	**$ 545,413**
Issuance of common shares	7	4,215,224	484,751	-	-	484,751
Share issuance costs	7	-	(9,315)	-	-	(9,315)
Comprehensive loss for the year		-	-	-	(273,057)	(273,057)
Balance at December 31, 2014		**5,056,922**	**1,529,889**	**112,795**	**(894,892)**	**747,792**
Shares issued for private placement	7	3,200,000	244,954	123,046	-	368,000
Share issuance costs	7	-	(20,705)	7,334	-	(13,371)
Comprehensive loss for the year		-	-	-	(187,766)	(187,766)
Balance at December 31, 2015		**8,256,922**	**$ 1,754,138**	**$ 243,175**	**$ (1,082,658)**	**$ 914,655**

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

KENNA RESOURCES CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Years ended	
	December 31, 2015	**December 31, 2014**
Operating activities		
Net loss for the year	$ (187,766)	$ (273,057)
Changes in non-cash working capital items:		
Accounts receivable and prepaid expenses	68,516	(73,412)
Accounts payable and accrued liabilities	44,607	6,013
Net cash flows used in operating activities	(74,643)	(340,456)
Financing activities		
Issuance of common shares	368,000	484,751
Share issuance costs	(13,371)	(9,315)
Net cash flows from financing activities	354,629	475,436
Increase in cash	279,986	134,980
Cash, beginning	445,693	310,713
Cash, ending	**$ 725,679**	**$ 445,693**

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

1. Nature of Operations and Going Concern

Kenna Resources Corp. (the "Company") was incorporated under the provisions of *The Business Corporations Act (Saskatchewan)* on September 25, 2009. On September 4, 2014, the Company completed its continuance to British Columbia under *The Business Corporations Act (British Columbia)*. The Company is in the business of mineral exploration. The Company's head office, principal address and the registered and records office are located at 1162 – 2096 West Broadway, Vancouver, BC V6K 2G8. The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "KNA".

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended December 31, 2015, the Company had a net loss from operations of $187,766 and as at December 31, 2015, had a deficit in the amount of $1,082,658. The Company's continuing operations, as intended, are dependent on its ability to continue to raise adequate financing in order to explore and develop resource properties. The outcome of these matters cannot be predicted at this time. There can be no certainty as to the ability of the Company to recover its exploration and evaluation assets or to obtain sufficient financing to continue its operations. Accordingly, there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments or other changes that may be required should the Company be unable to continue as a going concern. Such adjustments and changes could be material.

2. Significant Accounting Policies

The financial statements were authorized for issue on April 14, 2016 by the directors of the Company.

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").

Basis of presentation

The 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, which is the Company's functional currency.

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.

2. Significant Accounting Policies (continued)

Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

Impairment of assets

The carrying amount of the Company’s non-financial assets (which include exploration and evaluation asset) 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.

2. Significant Accounting Policies (continued)

Impairment of assets (continued)

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

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.

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. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and 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 are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They 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.

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Available-for-sale financial assets are 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 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.

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.

The Company does not have any derivative financial assets and liabilities.

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

2. Significant Accounting Policies (continued)

Income taxes (continued)

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

Deferred income tax assets and 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.

Share issue costs

Share issue costs are charged against share capital in the period of issuance.

Loss per share

Basic net loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. When the Company reports a loss, the diluted net loss per share is equal to the basic net loss per share due to the anti-dilutive effect of such instruments, if any.

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 a 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.

Significant estimates and assumptions

The preparation of financial statements, in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses as at the date of the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

Significant estimates and assumptions (continued)

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

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.

Accounting standards issued but not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this new standard and is currently assessing the impact that this standard will have 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 are not expected to have a significant impact on the Company's financial statements.

3. Accounting Receivable and Prepaid Expenses

		December 31, 2015		December 31, 2014
GST recoverable	$	5,640	$	22,117
Prepaid expenses		1,952		53,991
	$	7,592	$	76,108

(Expressed in Canadian dollars)

4. Exploration and Evaluation Asset

The components of exploration and evaluation assets are as follows:

	December 31, 2015	December 31, 2014
Acquisition of mineral rights	$ 181,418	$ 181,418
Geophysical surveys	60,966	60,966
	$ 242,384	$ 242,384

On March 28, 2012, the Company acquired a 100% interest in the Elizabeth Lake copper, silver and gold project located in northern Saskatchewan (the "Property").

As consideration for the acquisition of the Property, the Company issued 1,000,000 common shares to BEC International Corp. (the "Vendor") with a fair value of $0.12 per share and paid $50,000 in cash consideration to the Vendor. In addition, the Company granted to the Vendor a two percent (2%) royalty on production from the Property, to a maximum amount payable of $5,000,000. A finder's fee was paid to an arm's length party through the issuance of 75,000 common shares of the Company at a price of $0.12 per share. During the year ended December 31, 2012, the Company incurred other acquisition costs of $2,418.

5. Accounts Payable and Accrued Liabilities

	December 31, 2015	December 31, 2014
Accounts payable	$ 17,900	$ 2,558
Due to related parties (Note 8)	23,100	3,835
Accrued liabilities	20,000	10,000
	$ 61,000	$ 16,393

6. Deferred Income Taxes

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

	Year ended December 31, 2015	Year ended December 31, 2014
Net loss	$ (187,766)	$ (273,057)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(48,819)	(70,995)
Non-deductible items and other	(3,061)	(928)
Temporary differences not recognized	51,880	71,923
Income tax recovery	$ -	$ -

(Expressed in Canadian dollars)

6. Deferred Income Taxes (continued)

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

	December 31, 2015	December 31, 2014
Non-capital loss carry-forwards	$ 292,911	$ 243,328
Exploration and evaluation assets	(31,200)	(31,200)
Share issuance costs	4,234	1,938
	265,946	214,066
Valuation allowance	(265,946)	(214,066)
Net deferred tax asset	$ -	$ -

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	Canadian resource pools
2029	$ 18,927	$ -
2030	90,497	-
2031	142,962	-
2032	298,077	-
2033	84,553	-
2034	300,861	-
2035	190,705	-
No expiry	-	122,384
	$1,126,582	$ 122,384

7. Share Capital

Effective September 15, 2014, the Company completed a share consolidation on the basis of 10 old shares for 1 new share. All share references in these financial statements are reflected on a post-consolidation basis.

Authorized share capital

Unlimited number of Class A common shares with no par value.

Issued share capital

At December 31, 2015, there were 8,256,922 issued and fully paid common shares (2014 – 5,056,922).

Escrow shares

At December 31, 2015, there were nil (2014 – 85,177) common shares held in escrow.

(Expressed in Canadian dollars)

7. Share Capital (continued)

Share issuances

On December 22, 2015, the Company closed a non-brokered private placement of 3,200,000 units for gross proceeds of $368,000. Each unit was issued at a price of $0.115, and was comprised of one common share and one half common share purchase warrant. Each whole warrant entitles the holder to acquire a common share of the Company at a price of $0.25 for a period of 24 months from their date of issuance.

The Company paid finder's fees in connection with the private placement of $13,371 cash and issued 182,500 warrants. The warrants are exercisable into one common share for a period of 24 months at $0.25. The fair value of the warrants were estimated to be $7,334 using the Black-Scholes Options Pricing Model using the following assumptions:

Expected life of warrants	2 years
Volatility	144.55%
Risk-free interest rate	0.52%
Dividend rate	0%

During the year ended December 31, 2014, the Company completed a non-brokered private placement of 4,215,224 units at $0.115 per unit for gross proceeds of $484,751. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant is exercisable at $0.25 per share for a period of 24 months from issuance. The Company incurred share issuance costs of $9,315 related to this private placement.

Warrants

The changes in warrants outstanding during the years ended December 31, 2015 and 2014 are as follows:

	December 31, 2015		December 31, 2014	
	Warrants	**Price**	**Warrants**	**Price**
Outstanding, beginning	2,107,612	$ 0.25	-	$ -
Issued	1,782,500	0.25	2,107,612	0.25
Outstanding, ending	3,890,112	$ 0.25	2,107,612	$ 0.25

Details of warrants outstanding as at December 31, 2015 are as follows:

Number of warrants	Price per share	Expiry date
2,107,612	$0.25	November 6, 2017
1,782,500	$0.25	December 22, 2017
3,890,112	$0.25	

The weighted average remaining life of warrants at December 31, 2015 was 1.91 years.

(Expressed in Canadian dollars)

7. Share Capital (continued)

Stock options

The Company has adopted an incentive stock option plan (the "Option Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase shares. Options granted vested immediately and expire the earliest of five years after issuance, the 90th day after a holder ceases to be a director or officer of the Company, or one year after the death of the holder.

The changes in options during the years ended December 31, 2015 and 2014 are as follows:

	December 31, 2015		December 31, 2014	
	Options	**Price**	**Options**	**Price**
Outstanding, beginning	79,502	$ 2.00	79,502	$ 2.00
Options expired	(79,502)	2.00	-	-
Outstanding, ending	-	$ 0.00	79,502	$ 2.00
Weighted average remaining life	0.00 years		0.84 years	

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 or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

8. Related Party Transactions

Related party balances

The following amounts due to related parties are included in accounts payables and accrued liabilities:

	December 31, 2015	December 31, 2014
Companies controlled by directors of (Note 5)	$ 23,100	$ 3,150
Directors and officers of the Company (Note 5)	-	685
	$ 23,100	$ 3,835

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

(Expressed in Canadian dollars)

8. Related Party Transactions (continued)

Key management compensation

	Years ended December 31, 2015	Years ended December 31, 2014
Accounting fees	$ 18,000	$ 10,500
Consulting fees	24,000	14,000
	$ 42,000	$ 24,500

9. Capital Management

The Company's objective is to maintain a strong capital base so as to have sufficient resources to acquire, explore and develop resource properties. The capital structure of the Company consists of equity and cash. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

10. 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, 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 of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit loss is the book value of its financial instruments. The Company's cash is deposited with a major Canadian chartered bank and is held in highly-liquid investments. The Company's receivables consist of taxes receivable, and are therefore not subject to significant credit risk. This risk is minimal as receivables consist primarily of refundable government value added taxes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. All of the Company's financial liabilities are due within one year. The Company manages liquidity risk through the management of its capital structure. As at December 31, 2015, the Company had a total of $725,679 in 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.

10. Financial Instruments and Risk Management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have any interest-bearing debt. The Company's cash investments are not subject to interest rate risk. This risk is considered to be low.

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.

The Company's cash is classified as level 1.

11. Subsequent Event

The Company has entered into a non-binding letter of intent ("LOI") dated February 18, 2016, with Saturna Green Systems Inc. ("Saturna"). The Company and Saturna will enter into a definitive share exchange agreement, whereby all outstanding securities of Saturna will be exchanged for common shares of the Company, which constitutes a reverse takeover by Saturna and a change of business of the Company from mining to technology. The final structure of the definitive agreement is subject to applicable corporate, securities and tax considerations. The transaction is an arm's-length transaction. On closing of the transaction, it is anticipated that the Company will change its name, and will carry on with the development and launch of Saturna's electric scooter sharing transportation service, and continue sales of Satuna's hardware and software products for connected scooters to original equipment manufacturers. The Company proposes to continue trading on the TSX-V following the transaction.