Good Life Networks Inc.
(formerly “Exito Energy II Inc.”)
Financial Statements
December 31, 2017 and 2016
(In Canadian Dollars)

Smythe
CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GOOD LIFE NETWORKS INC. (FORMERLY EXITO ENERGY II INC.)

We have audited the accompanying financial statements of Good Life Networks Inc., which comprise the statement of financial position as at December 31, 2017 and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the year 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.

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 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 auditors' 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 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 Good Life Networks Inc. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The financial statements of Good Life Networks Inc. as at December 31, 2016 and for the year then ended, were audited by another auditor who expressed an unmodified opinion on those statements on May 1, 2017.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2018

Vancouver
7th Floor 355 Burrard St
Vancouver, BC V6C 2G8
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

Good Life Networks Inc.
(formerly Exito Energy II Inc.)
Statements of Financial Position

In Canadian Dollars	December 31, 2017 $	December 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents *(note 6)*	310,650	479,305
Accounts receivable	9,108	2,229
Prepaid expense	-	788
Note receivable *(note 1 and 7)*	25,000	25,000
Total assets	344,758	507,322
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 14)*	146,807	95,475
Total liabilities	146,807	95,475
Shareholders' Equity		
Share capital *(note 8)*	505,906	505,906
Contributed surplus	220,472	220,472
Accumulated deficit	(528,427)	(314,531)
Total shareholders' equity	197,951	411,847
Total liabilities and shareholders' equity	344,758	507,322

"Jesse Dylan" (signed)
Director

"Cliff Dumas" (signed)
Director

The accompanying notes are an integral part of these financial statements

Statements of Comprehensive Loss

In Canadian dollars	For the year ended December 31, 2017 $	For the year ended December 31, 2016 $
Expenses		
Business acquisition (*note14)*	166,807	57,388
Filling fee	15,200	6,799
Office rent and supplies *(note14)*	29,762	22,850
Professional fees *(note 14)*	5,675	15,185
	217,444	102,222
Finance income – interest income	(3,548)	(4,474)
Loss and comprehensive loss	213,896	97,748
Loss per share *(note 10)*	0.08	0.04

Statements of Changes in Shareholders' Equity

In Canadian Dollars	Number of Shares	Share Capital $	Contributed Surplus $	Accumulated Deficit $	Total Equity $
Balance at December 31, 2015	5,000,000	605,906	120,472	(216,783)	509,595
Cancellation of shares *(note 8)*	(1,000,000)	(100,000)	100,000	-	-
Total comprehensive loss	-	-	-	(97,748)	(97,748)
Balance at December 31, 2016	4,000,000	505,906	220,472	(314,531)	411,847
Total comprehensive loss	-	-	-	(213,896)	(213,896)
Balance at December 31, 2017	4,000,000	505,906	220,472	(528,427)	197,951

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows

In Canadian Dollars	**For the year ended December 31, 2017 $**	**For the year ended December 31, 2016 $**
Cash flows related to the following activities		
Operating activities		
Net loss for the year	(213,896)	(97,748)
Net change in non-cash working capital relating to operating activities		
Accounts receivable	(6,879)	(192)
Prepaid expense	788	(788)
Accounts payable and accrued liabilities	51,332	55,408
Cash used in operating activities	(168,655)	(43,320)
Investing activity		
Note receivable *(note 7)*	-	(25,000)
Cash used in investing activity	-	(25,000)
Decrease in cash and cash equivalents	(168,655)	(68,320)
Cash and cash equivalents, beginning of year	479,305	547,625
Cash and cash equivalents, end of year	310,650	479,305
Supplemental cash flow information:		
Interest received	3,548	4,474

1. Incorporation and operations

Good Life Networks Inc. (formerly Exito Energy II Inc.) (the "Corporation") was incorporated under the laws of the Province of Alberta on November 11, 2010 and is based in Calgary, Alberta. The Corporation changed its name to Good Life Networks Inc. pursuant to the GLN Transaction (defined below). The Corporation is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "TSXV") and is listed on the TSXV under the symbol "EXI.P", having commenced trading on May 8, 2013. The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising an option or by any concomitant transaction. The purpose of such an acquisition will be to satisfy the related conditions of a qualifying transaction under the TSXV rules within two years of becoming a CPC (May 8, 2015). Subsequent to December 31, 2017, the Corporation completed its transaction with Good Life Networks Inc. Pursuant to the transaction, the Corporation carries on the business of Good Life Networks Inc. which is engaged in the digital branding and advertising industry. The address of the head office of the Corporation is 202 – 499 Broughton Street, Vancouver, British Columbia.

The financial statements of the Corporation for the year ended December 31, 2017 were authorized for issue in accordance with a resolution of the Board of Directors on April 27, 2018.

In order to complete an acquisition or participate in an operation, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to complete a qualifying transaction.

On February 16, 2016, the Corporation’s deadline for completing a qualifying transaction was extended by the TSXV until May 13, 2016 with further allowance for the closing of the GLN Transaction (defined below).

On March 29, 2016, the Corporation entered a non-binding term sheet (the "Term Sheet") with MagneticNorth Partners, Inc. ("Magnetic"). The Term Sheet contemplated the acquisition of all of the issued and outstanding common shares of Magnetic by the Corporation as well as various changes to the Corporation’s management team and board of directors. On June 3, 2016, the Corporation signed a non-binding letter of intent (the "LOI") with the principals of Magnetic, namely Andrew Osis and Kevin Spall (the "Vendors"), to acquire all of the Vendors’ interests in various private equity investments, to have the Vendors become the management of the Corporation and to change the Corporation’s name to MagneticNorth Partners Corp. The transaction contemplated with the Vendors did not proceed as the Corporation elected to enter into the GLN Transaction (defined below).

The Corporation signed an arrangement agreement dated October 7, 2016, as amended and restated December 31, 2017 with Good Life Networks Inc. ("GLN"), a Vancouver-based, digital media company, with respect to a proposed business combination (the "GLN Transaction"). The GLN Transaction will be structured as a share exchange by way of plan of arrangement. Pursuant to the terms of the GLN Transaction, the Corporation will complete a consolidation of its common shares on the basis of one post-consolidation share for every two pre-consolidation (the “Consolidation”) shares. Holders of GLN common shares will receive 0.2601 of a post-consolidation common share of the Corporation and will continue into the jurisdiction of British Columbia. The GLN Transaction is conditional on GLN completing a non-brokered private placement of subscription receipts at a price of not less than $0.25 per subscription receipt to raise gross proceeds of not less than $6,500,000. The Consolidation closed January 26, 2018. All share amounts have been retrospectively amended to reflect the Consolidation. In conjunction with entering the GLN Transaction, the Corporation made a $25,000 unsecured loan to GLN. GLN has entered into a best efforts financing engagement agreement with GMP Securities Ltd. On May 26, 2017, shareholders of the Corporation and GLN approved all matters relating to the GLN Transaction and the outside date for completion of the GLN Transaction was November 30, 2017. The transaction was completed as of January 26, 2018.

1. Incorporation and operations (continued)

On October 19, 2016, 1,000,000 escrowed seed shares of the Corporation held by non-arm's length parties were cancelled as a result of the Corporation's failure to complete a qualifying transaction within the time period prescribed by the TSXV. As a result, the Corporation now has 4,000,000 common shares issued and outstanding, 1,500,000 of which are subject to TSXV escrow conditions. The escrowed shares are to be release upon the closing of the GLN Transaction.

In May 2015, the shares of the Corporation were suspended from trading on the TSXV.

2. Basis of preparation

Statement of compliance

The financial statements for the years ended December 31, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies applied in these annual financial statements have been prepared in accordance with IFRS issued and outstanding as of the date the financial statements were authorized by the Board of Directors.

Basis of preparation

These financial statements have been prepared using historical costs and fair values of certain items, as detailed in the accounting policies set out in Note 3 below. These policies have been applied consistently to all periods presented in these financial statements.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Several conditions raise significant doubt regarding the validity of the going concern basis. The Corporation has a history of losses and has an accumulated deficit of $528,427 (2016 - $314,531) and a working capital of $197,951 (2016 - $411,847). The Corporation will require additional funding in order to satisfy its liabilities as they become due and fund the Qualifying Transaction.

3. Summary of significant accounting policies and changes to accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Financial instruments

The Corporation's financial instruments consist of the following:

i. Non-derivative financial instruments
Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

iii. Financial assets at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

iv. Other Financial liabilities at amortized cost
Other financial liabilities at amortized cost include accounts payable and accrued liabilities. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid less any required discount to reduce the payables to fair value. Subsequently, other financial liabilities are measured at amortized cost using the effective interest rate method, less any impairment loss.

v. Loans and receivables

Loans and receivables, are measured at amortized cost using the effective interest method, less any impairment loss. Loans and receivables include accounts receivable, note receivable and cash and cash equivalents.

Share-based payments

The Corporation issues equity-settled share-based payments for services it receives from directors, officers, employees and consultants in consideration for equity instruments of the Corporation.

Where equity-settled share options are granted to employees, directors or officers the fair value of the options at the date of the grant is charged to the statement of comprehensive loss. The Corporation uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. No expense is recognized for awards that do not ultimately vest.

3. Summary of significant accounting policies and changes to accounting policies (continued)

Share-based payments (continued)

Where equity-settled share options are granted to non-employees they are recorded at the fair value of the goods or services received in the statement of comprehensive loss unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured using the Black-Scholes pricing model.

All equity-settled share-based payments are reflected in contributed surplus until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is reclassified to share capital.

Share capital

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

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment in respect of previous periods.

Deferred tax is recognized using the statement of financial position method, providing for 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 and that affects neither accounting nor taxable profit or loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. 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 for unused tax losses, tax credits and deductible temporary differences, 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.

Basic and diluted loss per share

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares applying the treasury stock method. Shares held in escrow, for which their release is other than time based, are excluded from the determination of the weighted average number of common shares.

4. Recent accounting pronouncements

The following standards and amendments have not been adopted as they apply to future periods and may result in future changes to existing accounting policies and disclosures. The adoption of these new standards is not expected to have a material impact on the Corporation's financial statements.

i. IFRS 9, *Financial Instruments* - The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The new standard is required to be applied for annual reporting periods beginning on January 1, 2018. The Corporation is currently evaluating the impact of the standard.

ii. IFRS 15, *Revenue from Contracts with Customers* - The new standard was issued in May 2014 and replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement approach for fiscal years beginning on January 1, 2018. The Corporation is in the process of assessing the impact of this new standard.

iii. IFRS 16, *Leases* – This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. The new standard is required to be applied for annual reporting periods beginning on January 1, 2019.

5. Significant accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments 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. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred income tax assets are recognized to the extent it is probable to be realized.

5. Significant accounting estimates and assumptions (continued)

Share based payments

The amounts disclosed relating to fair values of stock options issued are based on management's estimates of expected stock price volatility, expected lives of the options, risk-free interest rates and other assumptions. By their nature these estimates are subject to uncertainty and the effect from changes in such estimates in future years could be material.

6. Cash and cash equivalents

The proceeds raised from the issue of share capital may only be used to identify and evaluate assets or businesses for future investment, and obtain shareholder approval for a transaction with such assets or businesses, with the exception that the lesser of up to 30% of the gross proceeds or $210,000 may be used to cover prescribed costs of issuing common shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a qualifying transaction by the Corporation as defined under the policies of the TSXV.

7. Note receivable

In conjunction with entering into the GLN Transaction, as permitted under the TSXV CPC Policy, the Corporation issued a $25,000 unsecured promissory note receivable from GLN on October 7, 2016 (see note 1). The note receivable is non-interest bearing and became due on November 30, 2017. Due to the short-term nature of the note receivable the carrying value approximates the fair value.

8. Share capital

Authorized

The Corporation has authorized an unlimited number of voting common shares and an unlimited number of preferred shares at no par value.

Issued and outstanding common shares

Pursuant to the consolidation (note 1), all share amounts have been amended to reflect the Consolidation.

On October 19, 2016, 1,000,000 escrowed seed shares of the Corporation held by non-arm's length parties were cancelled as a result of the Corporation's failure to complete a qualifying transaction within the time period prescribed by the TSXV. As a result, the Corporation now has 4,000,000 common shares issued and outstanding, 1,500,000 of which are subject to TSXV escrow conditions.

9. Share-based Payments

The Corporation has adopted a stock option plan (the "Plan") which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers and employees of the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Vesting terms will be determined at the time of grant by the Board of Directors.

(In Canadian Dollars)

9. Share-based Payments (continued)

A summary of the stock option plan transactions are as follows:

	Number of options	Weighted average exercise price
Outstanding at December 31, 2015	500,000	$ 0.20
Outstanding at December 31, 2016	500,000	$ 0.20
Outstanding at December 31, 2017	500,000	$ 0.20

All options outstanding were issued on May 13, 2013, vested upon issuance and have a weighted average remaining contractual life of 0.65 years.

Agent options

The Corporation issued agent options as compensation to agents to purchase common shares in conjunction with the IPO.

A summary of agent option transactions are as follows:

	Number of options	Weighted average exercise price
Outstanding at December 31, 2015	250,000	$ 0.20
Outstanding at December 31, 2016	250,000	$ 0.20
Outstanding at December 31, 2017	250,000	$ 0.20

As of July 14, 2015, the TSXV consented to the extension of the expiry date of the agents' options. However, since the previous options had expired the Corporation issued new options with the original terms, other than the expiry date. The new expiry date is the earliest of: delisting of the Corporation's shares, transfer to NEX Exchange (a separate board of the TSXV) upon failing to complete a qualifying transaction within the time frame prescribed by the TSXV or issuance of the final bulletin for acceptance of a qualifying transaction. The final bulletin for acceptance of the GLN Transaction was issued January 30, 2018. The exercise price remains at $0.20 per common share.

10. Loss per share

	For the Year ended December 31, 2017	For the year ended December 31, 2016
Weighted average common shares outstanding	2,500,000	2,500,000
Diluted common shares outstanding	2,500,000	2,500,000

The basic and diluted loss per share amounts are the same, as the stock options and agent options were excluded from the dilution calculation, as they were anti-dilutive.

(In Canadian Dollars)

11. Income Taxes

The net income tax provision differs from that expected by applying the combined federal and provincial income tax rates of 27.0% (2016 – 27.0%).

	For the year ended December 31, 2017 $	For the year ended December 31, 2016 $
Loss for the year before tax	213,896	97,748
Statutory tax rate	27.0%	27.0%
Expected income tax recovery	57,752	26,392
Change in unrecognized temporary difference	(57,752)	(26,392)
Income tax expense	-	-

The tax benefits of the following temporary differences have not been recognized for accounting purposes.

	December 31, 2017 $	December 31, 2016 $
Share issue costs	6,361	6,361
Loss carry forwards	300,187	86,291
	306,548	92,652

As at December 31, 2017 the Corporation has a non-capital loss carry-forward of $300,187 available to reduce future years' income for tax purposes. This non-capital loss carry-forward has not been recognized in the financial statements and will begin to expire in 2031.

12. Financial instruments and risk management

Fair value of financial instruments

As at December 31, 2017, the Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, note receivable and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their short-term nature.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation has no financial instruments recorded at fair value through profit and loss.

12. Financial instruments and risk management (continued)

Risk management

The Corporation is exposed in varying degrees to a variety of financial instrument related risk.

- Credit risk - Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. Credit risk primarily arises from the Corporation's cash and cash equivalents, accounts receivable and note receivable balances. The Corporation manages its exposure to credit risk through standard credit granting procedures and short repayment terms of less than one year. The Corporation's credit risk exposure is equal to the carrying value of these financial instruments at the statement of financial position date. The Corporation is not exposed to significant credit risk.

- Liquidity risk - Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations and commitments as they become due. The Corporation manages liquidity through the management of its capital structure, as outlined in Note 13. The Corporation's liquidity risk arises as a result of its accounts payable and accrued liabilities. The Corporation's accounts payable and accrued liabilities are payable within the next 12 months.

- Interest rate risk - Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The effect of interest rates increasing by 0.25%, with all other variables held constant, would have caused the Corporation's loss and comprehensive loss to decrease by $793.

- Currency risk - The Corporation does not have any material exposures to financial instruments denominated in currencies other than the Canadian dollar.

13. Capital disclosures

The Corporation's capital as at December 31, 2017 consists of shareholders' equity. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a qualifying transaction.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is restricted to spending $210,000 of its capital on corporate costs that do not relate to identifying, evaluating and obtaining approval for a qualifying transaction, such as general and administrative expenses relating to being listed on the TSXV and issuing shares. As of December 31, 2017, the Corporation has spent $204,190 (2016 - $174,428) that fall within this spending restriction.

14. Related party transactions

Pursuant to an Administration Services Agreement, the Corporation pays $1,429 per month to a corporation wholly owned by two former directors of the Corporation for the use of office space, reception and boardrooms, equipment (including computers, telephones, vehicles, etc.), printing and all other necessary administrative functions and services required to permit the Corporation to review and evaluate potential qualifying transactions. During the year ended December 31, 2017, $17,143 (2016 - $17,143), was paid in accordance with this arrangement. There was $nil in accounts payable and accrued liabilities at December 31, 2017 (2016 - $nil).

During the year ended December 31, 2017, $95,177 (2016 - $56,628) in legal fees and disbursements were incurred and paid to a law firm, for legal services, in which a Director of the Corporation is a Partner. The legal fees incurred that were associated with the qualifying transactions were classified as business acquisition costs for the year ended December 31, 2017 were $94,502 (2016 - $55,413), with the remaining fees being associated with general legal services. There was $144,632 in accounts payable and accrued liabilities as at December 31, 2017 (2016 - $86,620) related to business acquisition costs associated with the GLN Transaction.

15. Subsequent events

On January 2, 2018, the Corporation and GLN announced that the Corporation and GLN have entered into a sixth amending agreement dated December 31, 2017 to the amended and restated arrangement agreement dated January 31, 2017 (collectively with the prior amendments, the "Arrangement Agreement"), with respect to the proposed business combination intended to constitute the Corporation's Qualifying Transaction (the "Proposed Transaction"), as such term is defined under the policies of the TSX-V. Completion of the Proposed Transaction was subject to a number of conditions, including but not limited to, receipt of all required regulatory consents, including final TSX-V acceptance, satisfaction of customary closing conditions and the closing of a private placement of subscription receipts by GLN at a price of $0.25 per subscription receipt (on a post-exchange ratio basis) to raise gross proceeds of not less than $6,500,000 (the "Offering").

On January 19, 2018, the Corporation and GLN announced that GLN has completed the previously announced the Offering of 141,321,044 subscription receipts of GLN ("Subscription Receipts") at a price of $0.0651 (or approximately $0.25 per Resulting Issuer Share (as defined below)) per Subscription Receipt (the "Offering Price") for aggregate gross proceeds of approximately $9,200,000. Upon completion of the Qualifying Transaction, each GLN Share (including the Underlying Shares issuable upon exchange of the Subscription Receipts) will be exchanged for 0.2601 of a Resulting Issuer Share.

On January 26, 2018, the Corporation announced that it has closed its Qualifying Transaction with GLN. The Transaction was completed by way of a share exchange pursuant to a plan of arrangement under the provisions of the *Business Corporations Act* (British Columbia), which included the amalgamation of GLN and the Corporation to form the Corporation as the resulting issuer. Immediately prior to the completion of the Arrangement, the Corporation completed a consolidation of its issued and outstanding common shares on the basis of one post-consolidation share for every two pre-consolidation shares and continued from Alberta into British Columbia. The Corporation is continuing the business of GLN. Based on relative shareholdings after the Qualifying Transaction, GLN is deemed to be the accounting acquirer and the Corporation the accounting acquiree.