JG Wealth Management Corporation

Consolidated Financial Statements

September 30, 2015 and 2014

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JG Wealth Management Corporation,

We have audited the accompanying consolidated financial statements of JG Wealth Management Corporation, which comprise the consolidated statements of financial position as at September 30, 2015 and 2014, and the consolidated statements of comprehensive income, cash flows, and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits. in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JG Wealth Management Corporation as at September 30, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
January 28, 2016

JG Wealth Management Corporation
Consolidated statements of financial position
at September 30, 2015 and 2014
(Expressed in Canadian Dollars)

	Note	September 30, 2015	September 30, 2014
		$	$
Assets			
Current assets			
Cash		554,569	1
Investments	4	1,660,126	
Accounts receivable	5	3,387	-
		2,218,082	1
Non-current			
Property	6	1,077,660	-
Total assets		3,295,742	1
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	7	44,416	-
Note payable	8, 11	506,082	-
		550,498	-
Non-current			
Deferred tax liability	12	29,000	-
Total liabilities		579,498	-
Shareholders' equity			
Share capital	3, 9	2,002,064	1
Other capital reserve	3, 9	39,511	-
Subscriptions received in advance	9, 13	225,000	-
Retained earnings		449,669	-
Total equity		2,716,244	1
Total liabilities and shareholders' equity		3,295,742	1

Subsequent events (Note 13)

Approved and authorized for issuance by the Board of Directors on January 28, 2016

"Sonny Janda"
Director

"Rajen Janda"
Director

See accompanying notes to the consolidated financial statements

JG Wealth Management Corporation
Consolidated statements of comprehensive income
for the Years ended September 30, 2015 and 2014
(Expressed in Canadian Dollars)

	Note	September 30, 2015	2014
		$	$
Rental income	11	39,824	–
Rental expenses		19,516	–
Net Rental income		20,308	–
Expenses			
Amortization	6	34,325	–
Consulting		57,536	–
Interest and bank charges	8, 11	8,434	–
Office and administration		10,392	–
Professional fees		15,480	–
Trust and filing fees		5,359	–
Total operating expenses		(131,526)	–
Realized gain on sale of investments	4	43,693	–
Impairment of property	6	(39,511)	–
Unrealized gain on fair value of investments	4	585,705	–
Net income before tax		478,669	–
Deferred tax expense	12	29,000	–
Income and other comprehensive income for the year		449,669	–
Income per share, basic and diluted		0.03	–
Weighted average number of outstanding shares, basic and diluted		16,960,624	1

See accompanying notes to the consolidated financial statements

JG Wealth Management Corporation
Consolidated statements of cash flows
for the Years ended September 30, 2015 and 2014
(Expressed in Canadian Dollars)

	Year ended September 30, 2015	**Year ended September 30, 2014**
Cash (used in) provided by:	$	$
Operating activities		
Comprehensive income for the period	449,669	-
Items not involving cash:		
Amortization	34,325	-
Deferred tax expense	29,000	-
Accrued interest	8,107	-
Realized gain on sale of investments	(43,693)	-
Impairment of property	39,511	
Unrealized gain on fair value of investments	(585,705)	-
Changes in non-cash operating working capital		
Accounts receivable	(3,387)	-
Accounts payable and accrued liabilities	39,433	-
Cash used in operating activities	(32,740)	-
Investing activities		
Cash acquired in arrangement	58,362	-
Proceeds from sale of investments	109,041	
Purchase of investments	(303,070)	-
Cash used in investing activities	(135,667)	-
Financing activities		
Repayment of promissory note	(482,025)	-
Subscriptions received in advance	225,000	-
Proceeds from issuance of promissory note	980,000	-
Cash provided by financing activities	722,975	-
Increase of cash	554,568	-
Cash, beginning	1	1
Cash, ending	554,569	1
Supplementary information:		
Cash paid for interest	2,025	-
Cash paid for income taxes	-	-

See accompanying notes to the consolidated financial statements

JG Wealth Management Corporation
Consolidated statement of changes in equity
for the Years ended September 30, 2015 and 2014
(Expressed in Canadian Dollars except for number of shares)

		Common shares			
	Note	**Number**	**Amount**	**Other capital reserve**	**Subscription received in advance**
			$	$	$
September 30, 2013 and 2014		1	1	-	-
Completion of the Arrangement	3	30,646,671	2,002,063	-	-
Adjustment for shares issued in connection with Arrangement	3	-	-	39,511	-
Subscriptions received in advance	9	-	-	-	225,000
Net income		-	-	-	-
September 30, 2015		**30,646,672**	**2,002,064**	**39,511**	**225,000**

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

JG Wealth Management Corporation (the "Company") was incorporated on November 29, 2007 and was previously a wholly owned subsidiary of Mag One Products Inc. (Formerly Acana Capital Corp.) ("Mag One"). The Company is a venture capital and investment company. The Company's head office is located at Suite 200 – 8338 120th Street, Surrey, BC, V3W 3N4. The Company ceased to be a subsidiary of Mag One on January 1, 2015 and the Company's shares commenced trading on Canadian Securities Exchange ("CSE") under the symbol JGW on March 12, 2015 (Note 3).

Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company's continuation as a going concern is dependent whether the Company can be developed into a viable business, performance of investments, and continued support from the Company's related parties. These factors indicate the existence of uncertainty that may cast doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Basis of preparation

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments measured at their fair value as explained in the accounting policies below. All amounts are presented in Canadian dollars unless otherwise noted.

Consolidation

These consolidated financial statements included the accounts of the Company and its wholly owned subsidiary, Acana Capital Corp., a private company incorporated on July 10, 2015 in British Columbia, Canada.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation. Acana Capital Corp. does not have any activities at the date of reporting.

Significant estimates and assumptions

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant estimates and assumptions (continued)
Estimates where there is significant risk of material adjustments to assets and liabilities in future accounting periods include fair value measurements for financial instruments, carrying values of the investments and the property, the fair value of the shares issued in connection with the closing of the Arrangement, and the recoverability and measurement of deferred tax assets.

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 is 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.

Common-control transaction
Since the shareholders of the Company and Mag One upon the close of the Arrangement were the same, this transaction was deemed a common-control transaction. As such, the assets and liabilities assumed by the Company, including cash, marketable securities, the property and deferred revenue, were recorded on the date of the Arrangement at the carrying value of the asset and liabilities according to financial records of Mag One.

Income per share
Basic income per share is computed by dividing net income attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted income per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)
Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company has designated its cash, and accounts receivable as loans and receivables.

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

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset. The Company has classified its trade payables and note payable as financial liabilities.

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. A financial asset is impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably measured.

Functional currency and foreign currency translation
The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. These consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional currency and foreign currency translation (continued)

Transactions and balances:
Foreign currency transactions will be translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

Foreign operations:
The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

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

Exchange differences arising on translation of foreign operations are recorded to the Company's other comprehensive income.

Property
Property is stated at cost less accumulated depreciation. Depreciation is charged to income on a declining balance basis at 4% per year.

Investment properties are derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated financial statements of comprehensive income in the period of retirement or disposal. Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous reporting period financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

The carrying amount of the Company's assets (which include the property) 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 income.

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, however, not 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.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

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

Deferred tax:

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

(Expressed in Canadian dollars)

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Rental income is recognized on a straight-line basis over the lease term or when cash is received for leases made on a month-to-month basis.

Warrants

Proceeds from issuances of security units by the Company consisting of shares and warrants are allocated based on the residual method. The fair value of the warrants is determined to be the difference between gross proceeds over the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a fair value of $Nil is assigned to the warrants. No warrants are presently issued.

New Accounting Standards and Interpretations

IFRS 9 Financial Instruments ("IFRS9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective January 1, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of this standard on its financial statements. Other new accounting standards have no material effect on the Company's financial statements.

3. CORPORATE RESTURCTING

The Company and its former parent company, Mag One, entered into a plan of arrangement in order to proceed with a corporate restructuring (the "Arrangement") by the way of a plan of arrangement, whereby Mag One transferred assets of Mag One to the Company in return for 30,646,671 common shares of the Company with a fair value of $1,967,738. The Company's shares were distributed to the shareholders of Mag One on a pro-rata basis based on their relative shareholdings of Mag One at the completion of the Arrangement, when the Company's common shares started trading on the CSE after all the approvals were received.

The carrying value of the net assets received on January 1, 2015 pursuant to the Arrangement consists of the following:

	$
Assets	
Cash	58,362
Investments (Note 4)	836,699
Property (Note 6)	1,151,496
Liabilities	
Deferred revenue	(4,983)
Net assets	2,041,574

(Expressed in Canadian dollars)

Shares issued pursuant to plan to the Arrangement	(2,002,063)
Adjusted for shares issued in connection with the Arrangement	39,511

3. CORPORATE RESTURCTING (Continued)

The fair value of the shares were determined to be the fair value of the net assets transferred.

The Arrangement completed on March 12, 2015 when the Company ceased to be a subsidiary of Mag One and commenced trading on CSE under the symbol JGW.

4. INVESTMENTS

The Company's investments are comprised of investments in shares and share purchase warrants of Canadian public companies.

Details of the investments as at January 1, 2015 and September 30, 2015 are as follows:

	Total
Cost:	$
At September 30, 2014	-
Additions (Note 3)	1,139,769
Disposals	(65,348)
At September 30, 2015	1,074,421
Fair value adjustments:	
At September 30, 2014	-
Gain for the year	629,398
Less realized gain on disposals	(43,693)
At September 30, 2015	585,705
Net book value:	
At September 30, 2014	-
At September 30, 2015	1,660,126

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

	September 30, 2015	**January 1, 2015**
Expected life of warrants (years)	2.79	0.90
Annualized volatility	176%	172%
Risk-free interest rate	0.5%	1.12%
Dividend rate	0%	0%

As at September 30, 2015, the Company held common shares and warrants with a total cost of $601,587 (total fair value of $1,125,758) of Canadian public companies with common directors or officers of the Company (Note 11).

(Expressed in Canadian dollars)

5. ACCOUNTS RECEIVABLE

	September 30, 2015	September 30, 2014
	$	$
Receivable from a related party (Note 11)	3,387	-

6. PROPERTY

On January 1, 2015, the Company acquired a unit in a residential condominium located in Toronto, Canada, in accordance with the Arrangement (Note 3) with a carrying value of $1,151,496.

Subsequent to year end, the Company sold the property for net proceeds of $1,077,660 and as a result, recorded an impairment charge of $39,512 during the year ended September 30, 2015 (Note 13).

Cost:	$
At September 30, 2013 and 2014	-
Additions	1,151,496
At September 30, 2015	1,151,496
Amortization:	
At September 30, 2013 and 2014	-
Charge for the year	34,325
At September 30, 2015	34,325
Impairment:	
At September 30, 2013 and 2014	-
Charge for the year	(39,511)
At September 30, 2015	(39,511)
Net book value:	
At September 30, 2014	-
At September 30, 2015	1,077,660

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2015	September 30, 2014
	$	$
GST payable	778	-
Trade payables	36,288	-
Accrued liabilities	7,350	-
	44,416	-

(Expressed in Canadian dollars)

8. NOTE PAYABLE

In June 2015, the Company issued a promissory note of $500,000 to an entity related to a director of the Company (Note 11). This promissory note is un-secured, bears interest at 4% per annum, and is due on June 11, 2016. Interest of $6,082 was accrued during the year ended September 30, 2015. The Company repaid the note and accrued interest subsequent to year end (Note 13).

9. SHARE CAPITAL

Authorized
Unlimited number of common shares without par value.

Common shares - Issued and outstanding
30,646,671 common shares were issued to Mag One, the Company's former parent company, upon the completion of the Arrangement (Note 3).

During the year ended September 30, 2015, the Company received $225,000 in advances for a private placement that closed subsequent to year end (Note 13).

Other capital reserve
The other capital reserve records the difference between the fair value and the carrying value of the net assets transferred pursuant to the Arrangement (Note 3).

10. FINANCIAL INSTRUMENTS

Classification of financial instruments

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

	September 30, 2015	September 30, 2014
	$	$
FVTPL:		
Investments (Note 4)	1,660,126	-

	September 30, 2015	September 30, 2014
	$	$
Loans and receivables:		
Cash	554,569	-
Receivable from a related party (Notes 6 and 11)	3,387	-
	557,956	-

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS (Continued)

Classification of financial instruments (continued)

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

	September 30, 2015	September 30, 2014
	$	$
Non-derivative financial liabilities:		
Trade payables (Note 7)	36,288	-
Note payable (Notes 8 and 11)	506,082	-
	542,370	-

Fair value

The fair values of the Company's financial assets and liabilities approximates the carrying amounts either due to their short-term nature or because the interest rates applied to measure their carrying amount approximate current market rates.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

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

	Level 1	Level 2	Level 3
	$	$	$
Cash	554,569	-	-
Investments (Note 4)	1,510,626	149,500	-
	2,065,195	149,500	

Capital management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure consists of cash and equity (comprising issued capital and retained earnings) net of borrowings.

The Company does not pay dividends and is not subject to any externally imposed capital requirements.

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS (Continued)

Capital management (continued)

Risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counter party limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Market risk - Market risk is the risk that the fair value of, or future cash flows from the Company's investment in marketable securities will significantly fluctuate because of changes in market prices. The Company is exposed to market risk or equity risk or equity price risk in trading its investment and unfavorable market conditions could result in dispositions of investments at less than favorable prices. Additionally, the Company marks its investments to market in accordance with the accounting policies at each reporting period. This process could result in significant write downs of the Company's investment over one or more reporting periods, particularly during periods of declining resource markets.

Market risk includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments. Management monitors the overall market risk position on a quarterly basis.

Price risk – the Company is exposed to price risk in relation to listed marketable securities held as FVTPL investment. A 10% change in the market would result in a change of $184,393 to comprehensive income. Management regularly reviews the expected returns from holding such investment on an individual basis.

Interest rate risk – this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal as the Company does not have any outstanding liabilities that are linked to variable interest rate; the Company does not have any floating rate financial instruments nor any fixed rate financial instruments that are recognized at fair value. Changing in interest rate will however have insignificant effect on the fair value of warrants held by the Company. Currently the fair value of warrants is valued at $149,500 using a risk-free rate of 0.5%. As the room for interest rate decrease is very limited, sensitivity test is performed only on the impact of a 100 basis-points and a 200 basis-points increase in market interest rates from the rates applicable at September 30, 2015. With all other variables held constant, the fair value of warrants would be:

	100 basis-points increase	200 basis-points increase
	At 1.5%	At 2.5%
Fair value of warrants	$154,724	$158,256

Currency risk – this 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 currency risk as the Company does not hold financial instrument denominated in foreign currency.

Credit risk - this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's primary exposure to credit risk is on its cash and marketable securities that are held in bank accounts and deposited with brokers, respectively. As the Company's cash is held by two banks and the marketable securities are held in one broker firm, there is a concentration of credit risk. This risk is managed by using major banks and broker firm that are high credit quality financial institutions as determined by rating agencies.

10. FINANCIAL INSTRUMENTS (Continued)

Capital management (continued)

Liquidity risk – this is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, taking into account its anticipated cash flows from operations and its holding of cash.

11. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions and balances:

Investments

As at September 30, 2015, common shares and warrants with a total cost of $637,037 (total fair value of $1,125,758) are issued by Canadian public companies with common directors or officers of the Company (Note 4).

Notes payable

In March, 2015, the Company issued a promissory note of $480,000 payable to a private entity related to a director of the Company. The promissory note was un-secured, bearing interest at 2% per annum, and was due on December 31, 2015. In June 2015, the Company fully repaid the $480,000 plus interest of $2,025.

In June 2015, the Company issued a promissory note of $500,000 payable to a private entity related to a director of the Company. The promissory note is un-secured, bearing interest at 4% per annum, and is due on demand or before June 11, 2016. Interest of $6,082 was accrued during the year. The Company repaid this note and accrued interest subsequent to year end (Note 13).

Rental revenue and accounts receivable

During the year ended September 30, 2015, the Company earned gross rental revenue of $39,824 (2014 - $Nil) from a company with common directors (Note 6).

The Company's former parent company, Mag One, collected rent on behalf of the Company and $3,387 remains receivable as at September 30, 2015 from the former parent company (Note 5). The Company and the former parent company have common directors. The receivable is un-secured, non-interest bearing and no stated repayment terms.

12. INCOME TAX

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

(Expressed in Canadian dollars)

	Year ended September 30, 2015	**Year ended September 30, 2014**
	$	$
Net income before tax	478,669	-
Statutory tax rate	26%	26%
Expected income tax expense at the statutory tax rate	114,000	-
Non-deductible items and other	(85,000)	-
Deferred income tax expense	29,000	-

12. INCOME TAX (Continued)

The significant components of the Company's deferred tax assets (liabilities) are as follows:

	September 30, 2015	**September 30, 2014**
	$	$
Non-capital loss carry-forwards	24,000	-
Property	23,000	-
Investments	(76,000)	-
Deferred tax liability	(29,000)	-

As at September 30, 2015, the Company has approximately $94,000 of non-capital losses available which expire in 2035.

13. SUBSEQUENT EVENTS

Share issuance
In October 2015, the Company raised $315,000 in a non-brokered private placement in which 787,500 common shares were sold for a fair value of $0.40 per share. Of the 787,500 common shares issued, 562,500 common shares were issued to Grand Peak Capital Corp., a company with common directors; 225,000 common shares were issued to the spouse of a common director of the Company. Of the $315,000 raised, $225,000 was received in advance during the year ended September 30, 2015.

Disposition of the Property
The Company sold the property on December 29, 2015 for net proceeds of $1,077,660 (Note 6).

Repayment of Note
Subsequent to year end, the Company repaid the promissory note of $500,000 and accrued interest of $6,082 (Note 8).