CANNVAS MEDTECH INC.

(formerly Weed Point Loyalty Inc. and Vapetronix Holdings Inc.)

Consolidated Financial Statements

Year Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of Cannvas Medtech Inc. (formerly Weed Point Loyalty Inc. and Vapetronix Holdings Inc.)

We have audited the accompanying consolidated financial statements of Cannvas Medtech Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated 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 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 in our audits 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 Cannvas Medtech Inc. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Cannvas Medtech Inc.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
January 26, 2018

Cannvas Medtech Inc.
(formerly Weed Points Loyalty Inc. and Vapetronix Holdings Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash		$ -	$ 10,321
GST recoverable		-	1,478
Prepaids		-	10,500
		-	22,299
Intellectual property	4	-	17,655
TOTAL ASSETS		**$ -**	**$ 39,954**
LIABILITIES			
Current liabilities			
Trade payables		$ 223,464	$ 3,200
Due to PUF Ventures Inc.	6	129,662	129,662
TOTAL LIABILITIES		**353,126**	**132,862**
SHAREHOLDERS' EQUITY			
Share capital	5	64,937	64,937
Deficit		(418,063)	(157,845)
TOTAL SHAREHOLDERS' EQUITY		**(353,126)**	**(92,908)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ -**	**$ 39,954**

Nature and continuance of operations (Note 1)
Subsequent events (Note 10)

Cannvas Medtech Inc.
(formerly Weed Points Loyalty Inc. and Vapetronix Holdings Inc.)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

		Years ended	
	Note	**December 31, 2016**	**December 31, 2015**
Sales		$ 138,850	$ 9,008
Write-off of inventory		-	(23,846)
Cost of goods sold		(113,835)	(10,970)
		25,015	(25,808)
Expenses			
Accounting		2,000	30
Amortization	4	4,798	767
Bad debts		-	1,989
Consulting	6	35,000	58,350
Development costs	4, 6	210,000	-
Office and sundry		17,023	25,467
Website costs		2,712	-
Travel and business development		843	2,333
		(272,375)	(88,937)
Other items			
Write-off of intellectual property	4	(12,858)	(22,918)
		(12,858)	(22,918)
Comprehensive loss for the year		**$ (260,218)**	**$ (137,213)**
Net loss per share – basic and diluted		**$ (0.04)**	**$ (0.02)**
Weighted average number of shares outstanding		**7,000,000**	**7,000,000**

Cannvas Medtech Inc.
(formerly Weed Points Loyalty Inc. and Vapetronix Holdings Inc.)
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share capital			
	Number of shares	Amount	Deficit	Total
Balance at December 31, 2014	**7,000,000**	**$ 64,937**	**$ (20,632)**	**$ 44,305**
Net and comprehensive loss	-	-	(137,213)	(137,213)
Balance at December 31, 2015	**7,000,000**	**64,937**	**(157,845)**	**(92,908)**
Net and comprehensive loss	-	-	(260,218)	(260,218)
Balance at December 31, 2016	**7,000,000**	**$ 64,937**	**$ (418,063)**	**$ (353,126)**

Cannvas Medtech Inc.
(formerly Weed Points Loyalty Inc. and Vapetronix Holdings Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended	
	December 31, 2016	**December 31, 2015**
Operating activities		
Net loss for the year	$ (260,218)	$ (137,213)
Adjustments for:		
Depreciation and amortization	4,798	767
Bad debt	-	1,989
Write-off of intellectual property	12,857	22,918
Write-off of inventory	-	23,846
Changes in non-cash working capital items:		
Receivables	1,478	(889)
Prepaids	10,500	(10,500)
Inventory	-	(22,722)
Due to related party	-	129,662
Accounts payable and accruals	220,264	(855)
Net cash flows (used in) provided by operating activities	(10,321)	7,003
Change in cash	(10,321)	7,003
Cash, beginning	10,321	3,318
Cash, ending	**$ -**	**$ 10,321**

There were no non-cash transactions during the years ended December 31, 2016 and 2015

1. NATURE AND CONTINUANCE OF OPERATIONS

Cannvas Medtech Inc. (formerly Weed Points Loyalty Inc. and Vapetronix Holdings Inc.) (the "Company") was incorporated on November 24, 2014 pursuant to the Canada Business Corporations Act on June 23, 2017. On September 11, 2017, the name of the Company was changed from Vapetronix Holdings Inc. to Weed Points Loyalty Inc. and on December 13, 2017, the name of the Company was changed to Cannvas Medtech Inc.

On May 12, 2015, PUF Ventures Inc. ("PUF") acquired 100% of the Company.

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. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 8.

The Company generates minimal cash flow from operations and therefore relies upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

The Company's corporate office is located at Suite 804, 750 Pender Street, Vancouver, British Columbia V6C 2T7.

2. BASIS OF PREPARATION

a) Basis of preparation

The consolidated 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").

The consolidated financial statements of the Company for year ended December 31, 2016 and 2015 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January X, 2018.

b) Basis of consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its Canadian wholly-owned subsidiary, 1313 Wear Ltd., incorporated in British Columbia, Canada. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

2. BASIS OF PREPARATION (continued)

c) Presentation and functional currency

The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company's Canadian subsidiary is also the Canadian dollar.

Foreign currency transactions are 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.

d) Significant accounting judgments and estimates

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: impairment of non-financial assets.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

i) Financial assets

The Company classifies its financial assets into categories at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss
This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in profit or loss. The Company has not classified any financial assets as fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

(b) 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 carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has classified cash as loans and receivables.

(c) Held-to-maturity investments
These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company has not classified any financial assets as held-to-maturity investments.

(d) Available-for-sale
Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in profit or loss. The Company has not classified any financial assets as held-to-available-for-sale investments.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss
This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

(b) Other financial liabilities
This category includes all other financial liabilities which are recognized at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period. The Company has classified accounts payable and due to related parties as other financial liabilities.

b) Cash

Cash in the statement of financial position are comprised of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

c) Intellectual Property

Intellectual property is measured at cost less accumulated amortization and accumulated impairment losses. The cost of intellectual property consists of the purchase price, and any costs directly attributable to bringing the asset into use. Subsequent expenditures on intellectual property, including development costs, are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit and loss as incurred.

Intellectual property is amortized over 4 years, on the straight line method.

d) Impairment

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment (continued)

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss for the period.

f) Inventory

Inventory is valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price of inventory in the ordinary course of business, less any estimated selling costs. Cost of inventory includes expenditures in acquiring the inventories and other cost incurred in bringing them to their existing location. Provision is made for obsolete, slow-moving or defective items, where appropriate.

g) Share capital

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

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

h) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Sales revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably. The transfer of risks and rewards occurs when the product is received by the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company 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.

k) Segment reporting

The Company operates in two reportable segments: (i) the sale of e-cigarettes; and (ii) technology platform for cannabis commerce.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) New accounting standards and interpretations not yet adopted

The following accounting pronouncement has been released but has not yet been adopted by the Company:

IFRS 9, “Financial Instruments: Recognition and Measurement” replaces the requirements of IAS39, “Financial Instruments: Recognition and Measurement”. This final version of IFRS 9 brings together the classification and measurements as well as impairment and hedge accounting phases of the project to replace IAS 39. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. These changes are applicable for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the future impact of this new standard on its financial statements.

IFRS 15, “Revenue from contracts with customers” replaces the requirements of IAS 11, “Construction Contracts”, and IAS 18, “Revenue and related interpretations”. This standard specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. These changes are applicable for annual periods beginning on or after January 1, 2017, with earlier application permitted. The standard is effective for the Company’s fiscal year beginning January 1, 2018. The Company does not expect this standard to have an effect 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.

4. INTELLECTUAL PROPERTY

The Company owns the exclusive rights to the “1313” electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects.

Balance, December 31, 2014	$ 41,340
Impairment	(22,918)
Amortization for the year	(767)
Balance, December 31, 2015	17,655
Impairment	(12,857)
Amortization for the year	(4,798)
Net book value, December 31, 2016	$ -

During the year ended December 31, 2016, the Company commenced the development on new vaporizer technology. The Company incurred development costs of $210,000 during the year ended December 31, 2016.

5. SHARE CAPITAL

a) Common shares

Authorized:
Unlimited number of common shares without par value.

Issued:
As at December 31, 2016 and 2015, the Company has 7,000,000 common shares issued and outstanding.

There were no shares issued during the years ended December 31, 2016 and 2015.

b) Warrants outstanding

There were no warrants issued or outstanding at December 31, 2016 and 2015.

c) Stock options outstanding

There were no stock options issued or outstanding at December 31, 2016 and 2015.

6. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, $10,000 was incurred to related parties and included in development costs. In addition, $35,000 was incurred to a director for consulting fees.

During the year ended December 31, 2015, advances of $129,662 were received from PUF, the Company's parent. At December 31, 2016 $129,662 is owing to PUF (2015 - $129,662).

During the year ended December 31, 2015 $25,000 was incurred to a director for consulting fees.

The amount due to PUF, is unsecured, non-interest bearing and due on demand.

7. SEGMENTED INFORMATION

The Company operates in two reportable segments: (i) the sale of e-cigarettes; and (ii) technology platform for cannabis commerce.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, receivables, trade payables, and due to PUF approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash is measured using level 1 inputs.

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at December 31, 2016 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(Expressed in Canadian Dollars)

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

iii) Market risk (continued)

(a) Interest rate risk

Interest rate risk 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 is not exposed to significant interest rate risk.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would not significantly affect its cash position at this time.

(c) Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

9. INCOME TAX

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

	2016	2015
Net loss before income taxes	$ (260,218)	$ (137,213)
Income tax rate	26%	26%
Expected income tax benefit	(67,657)	(35,675)
Change in valuation allowance	67,657	35,675
	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts generated where it is probable the Company will generate taxable income to utilize its deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2016	2015
Non-capital losses	$ 98,147	$ 35,081
Other items	10,432	5,842
Unrecognized deferred income tax assets	(108,579)	(40,923)
	$ -	$ -

10. SUBSEQUENT EVENTS

Subsequent to December 31, 2016 the Company:

a) On October 20, 2017, completed a private placement of 15,041,000 common shares at $0.05 per share for gross proceeds of $752,050.

b) On December 1, 2017, completed a private placement of 4,143,600 common shares at $0.25 per share for gross proceeds of $1,035,900.

c) granted 700,000 stock options exercisable at $0.05 per share, for two years expiring September 19, 2019 to officers, consultants and directors. 630,000 stock options were subsequently exercised.

d) granted 1,484,100 stock options exercisable at $0.05 per share, for two years expiring October 20, 2020 to officers, consultants and directors. 1,442,100 stock options were subsequently exercised.

e) On September 7, 2017, the Company and PUF entered into a Plan of Arrangement ("Arrangement"). The Arrangement was subject to Court approval, as well as approval by PUF's shareholders. Pursuant to the Arrangement, PUF will distribute 100% of the Company's shares to PUF's shareholders on a pro rata basis. PUF's shareholders will be entitled to receive one share of the Company in exchange for every seven PUF shares held as at the record date.

   Following completion of the Arrangement, (i) the Company will hold certain assets transferred to it by PUF, (ii) the Company will become a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and intends to apply for and meet the listing requirements on a Canadian stock exchange, (iii) each PUF shareholder will continue to be a shareholder of PUF, and (iv) all PUF shareholders as at the record date will have become shareholders of the Company.

   On January 16, 2018 the Company and PUF completed the Arrangement. As a result, the Company became a reporting issuer in the provinces of British Columbia, Alberta and Ontario.