A.I.S. RESOURCES LIMITED

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in Canadian dollars)

JACKSON & COMPANY
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of A.I.S. Resources Limited

We have audited the accompanying financial statements of A.I.S. Resource Limited which comprise the statements of financial position as at December 31, 2015 and the statements of comprehensive loss, cash flows, and changes in equity for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of A.I.S. Resources Limited as at December 31, 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of A.I.S. Resources Limited to continue as a going concern.

Other Matter
The financial statements of A.I.S. Resources Limited as at December 31, 2014 and for the year then ended were audited by another firm of independent auditors who expressed an unmodified opinion on those statements in their report dated April 30, 2015.

Jackson & Company
CHARTERED ACCOUNTANTS

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
April 29, 2016

A.I.S. RESOURCES LIMITED

Statements of Financial Position

As at December 31, 2015 and 2014

(Expressed in Canadian dollars)

	Note	December 31 2015	December 31 2014
ASSETS			
Current assets			
Cash	3	$ -	$ 37,645
Notes receivable	4	14,709	11,154
Prepaid expenses		-	14,236
Total current assets		14,709	63,035
Non-current assets			
Marketable securities	5	794	123,885
Other investment	6	552,437	-
		$ 567,940	**$ 186,920**
LIABILITIES			
Current liabilities			
Bank overdraft		617	-
Accounts payable and accrued liabilities		312,950	89,381
Due to related parties	7	32 628	4,425
Total current liabilities		346 195	93,806
SHAREHOLDERS' EQUITY			
Common shares	8	4,180,022	3,625,057
Reserves		311,812	144,697
Deficit		(4,270,089)	(3,676,640)
		221,745	93,114
		$ 567,940	**$ 186,920**

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

Note 10: Supplemental information with respect to cash flows

Martyn Element, Director   Kiki Smith, Director

A.I.S. RESOURCES LIMITED

Statements of Loss and Comprehensive Loss

For the years ended December 31, 2015 and 2014

(Expressed in Canadian dollars)

	Year ended	
	December 31, 2015	**December 31, 2014**
REVENUE:		
Other Income	$ 9,852	$ -
Investment income (loss)	(15,608)	40,621
	(5,756)	40,621
EXPENSES:		
Consulting	213,887	189,163
Consulting – stock based	50,114	109,899
General and administrative	22,378	34,878
Management fees	90,000	90,000
Management fees – stock based	14,209	34,798
Professional fees	101,775	177,758
Project examination	-	142,389
Rent	23,902	42,427
Transfer agent and filing	19,960	25,061
Travel and promotion	22,974	105,872
Unrealized loss on marketable securities	16,881	97,874
Unrealized foreign exchange loss	11,613	641
	587,693	1,050,761
Net loss for the year	$ (593,449)	$ (1,010,140)
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities (Note 6)	52,679	-
Loss and comprehensive loss for the year	$ (540,770)	$ (1,010,140)
Loss per share - $ per share		
Basic and diluted	**$ (0.06)**	**$ (0.18)**
Weighted average number of shares outstanding	**8,365,604**	**5,721,284**

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

A.I.S. RESOURCES LIMITED

Statements of Changes in Equity

As at December 31, 2015

(Expressed in Canadian dollars)

	Common shares							
	No. of shares	Share capital	Reserve Stock Options	Reserve Expired Options	Other Comprehensive Income	Reserves Warrants	Deficit	Total
Equity December 31, 2013	4,006,763	$3,145,982	$ -	$ -	$ -	$ -	$(2,666,500)	$ 479,482
Shares issued	2,500,000	500,000	-	-	-	-	-	500,000
Share issue costs	-	(20,925)	-	-	-	-	-	(20,925)
Stock option expense	-	-	-	-	-	-	-	144,697
Loss for the year	-	-	-	-	-	-	(1,010,140)	(1,010,140)
Equity December 31, 2014	6,506,763	$3,625,057	$ 144,697	$ -	$ -	$ -	$(3,676,640)	$ 93,114
Shares issued	6,153,000	565,800	-	-	-	49,500	-	615,300
Share issue costs - cash	-	(10,835)	-	-	-	613	-	(10,222)
Stock option expense	-	-	64,323	-	-	-	-	64,323
Forfeited stock options	-	-	(19,557)	19,557	-	-	-	-
Loss for the year	-	-	-	-	52,679	-	(593,449)	(540,770)
Equity December 31, 2015	**12,659,763**	**$4,180,022**	**$ 189,463**	**$ 19,557**	**$ 52,679**	**$ 50,113**	**$(4,270,089)**	**$ 221,745**

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

A.I.S. RESOURCES LIMITED

Statements of Cash Flows

For the years ended December 31, 2015 and 2014
(Expressed in Canadian dollars)

	Year ended December 31, 2015	December 31, 2014
CASH PROVIDED BY (USED IN) OPERATIONS		
Loss for the year	$ (593,449)	$ (1,010,140)
Adjustments for items not involving cash:		
Stock based compensation	64,323	144,697
Accrued management fees	30,000	4,425
Accrued interest	(1,035)	(2,441)
Accreted interest	(2,520)	(803)
Gain on settlement of notes receivable	-	(36,521)
Loss (gain) on sale of marketable securities	(16,881)	-
Unrealized loss on marketable securities	18,362	97,874
Unrealized foreign exchange loss (gain)	(11,613)	(641)
	(512,814)	(803,550)
Changes in non-cash working capital:		
Prepaid expenses	14,236	(14,236)
Accounts payable	235,183	58,543
	(263,395)	(759,243)
CASH FLOWS FROM INVESTING		
Sale (purchase) of marketable securities	121,610	(73,386)
Increase in notes receivable	-	(45,000)
Purchase of investment	(499,758)	641
	(378,148)	(117,745)
CASH FLOWS FROM FINANCING		
Bank overdraft	618	-
Shares issued	605,077	479,075
Advances from (repayments to) related parties	(1,797)	-
	603,898	479.075
Net change in cash balances	**(37,645)**	**(397,913)**
Cash at beginning of year	37,645	435,558
Cash at end of year	**$ -**	**$ 37,645**

Note 9: Supplemental information with respect to cash flows.

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

1. General

A.I.S. Resources Limited (the “Company” or “A.I.S.”) is incorporated under the laws of Bahamas Islands. The registered office of the Company is located at 308 East Bay Street, Nassau, Bahamas. The business of AIS is to hold various investments in marketable securities.

During the year ended December 31, 2015 the Company closed non-brokered private placements totaling 6,153,000 units at $0.10 per unit for aggregate gross proceeds of $615,300. Each Unit was issued at a price of $0.10 and is comprised of one common share and one common share purchase warrant entitling the holder thereof to acquire one Common Share at a price of $0.14 for a year of two years from the date of closing.

During the year ended December 31, 2015 the Company subscribed for 1,330,665 shares of Buda Juice LLC a private company at $US $0.30 per share for a cost of $ 499,757 ($US 399,200).

During the year ended December 31, 2014 the Company closed non-brokered private placements totaling 2,500,000 units at a price of $0.20 per unit for aggregate gross proceeds of $500,000 and began actively investigating potential investments in preparation for reactivation to the TSX exchange.

Going Concern

The financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue its operations and will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent upon the continued financial support from related parties, the ability of the Company to raise equity financing to continue investment activities and upon future profitable operations or proceeds from disposition of investments. Given the operating losses accumulated in the last number of years, the Company’s ability to realize its assets and discharge its liabilities depends on continued support from its directors, the ability to raise further funds to provide working capital and ultimately on generating future profitable operations. These uncertainties cast a significant doubt on the ability of the Company to continue operations as a going concern. The financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Company be unable to continue as a going concern. At December 31, 2015, the Company had a working capital deficiency of $331,487 (December 31, 2014 – $30,771) and accumulated losses of $4,269,624 (December 31, 2014 - $3,676,640).

2. Basis of preparation and significant accounting policies:

(a) Statement of compliance

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

These financial statements were authorized by the Board of Directors of the Company on April 29, 2016.

b) Basis of measurement

The financial statements were prepared on a historical cost basis except for certain financial instruments which are valued at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

The accounting policies set out below have been applied consistently in the preparation of the financial statements for all periods presented.

c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Investment income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Investment income includes interest income which is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount on initial recognition.

d) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid marketable investments with an original maturity date of 90 days or less. Cash equivalents are designated at amortized cost.

e) Foreign currency translation

The financial statements are presented in Canadian dollars, which is the Company's functional currency. Monetary statements of financial position amounts denominated other than in Canadian dollars are translated using exchange rates at the reporting period dates. Gains and losses arising from this translation are included in profit and loss.

f) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2. Basis of preparation and significant accounting policies (continued):

g) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Upon initial recognition, all financial instruments, including derivatives, are recognized on the statement of financial position at fair value and classified as fair value through profit or loss (FVTPL), held-to-maturity, loans and receivables, available-for-sale or other liabilities. Subsequent measurement is based on the classification.

Transaction costs for the purchase and sale of investments are expensed and are included in “Transaction costs” in the Statement of Comprehensive Loss. Transactions costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of a financial asset or liability. The Company uses settlement-date accounting to recognize and derecognize the sale of a financial asset.

The Company has designated its financial instruments into the following categories and has applied the indicated measurement method:

Financial instruments	Category	Measurement method
Cash and cash equivalent deposits	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Notes receivable	Loans and receivables	Amortized cost
Marketable securities	FVTPL	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

The Company will assess at each reporting period whether there is a financial asset, other than those classified as fair value through profit or loss that is impaired. An impairment loss or a reversal of a previous impairment loss, if any, is included in profit or loss.

The Company does not use derivative financial instruments to hedge its exposures to commodity price, foreign exchange or interest rate fluctuations.

h) Income taxes:

Income tax expense represents the sum of the tax currently payable or deferred.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

The tax currently payable is based on taxable income for the year. Taxable income differs from income as reported in the statement of comprehensive income due to items of income and expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been substantively enacted by the end of the reporting year.

2. Basis of preparation and significant accounting policies continued):

i) Income taxes (continued):

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits are available against which those temporary differences can be utilized.

The carrying amount of deferred tax assets are reviewed at the end of each reporting year and reduced to the extent that it is improbable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

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

j) Per share amounts:

Basic earnings per share is calculated by dividing profit attributable to the common shareholders of the Company by the weighted average number of shares outstanding during the period.

The treasury stock method is used to calculate diluted earnings per share, where applicable. The treasury stock method is used to compute the dilutive effect of stock options, warrants and similar instruments. Under this method, the exercise of stock options is assumed to have occurred at the beginning of a period and the related common shares are assumed to be issued at that time. The proceeds from exercise are assumed to have purchased common shares for cancellation at the average market value price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased are included in the denominator of the diluted earnings per share calculation.

k) Estimates and assumptions:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are reviewed on a continuous basis and are based on management’s historical experience, knowledge of current conditions and other factors believed to be reasonable under the circumstances. Material estimates and assumptions are made with respect to current and deferred income taxes and the fair value and level of financial instruments.

l) Future accounting changes:

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards that have not been applied in preparing these financial statements as their effective date falls within annual periods beginning subsequent to the current reporting period. Adopting these standards is expected to have minimal or no impact on the financial statements.

2. Basis of preparation and significant accounting policies continued):

l) Future accounting changes (continued):

IFRS 7 – Financial Instruments: Disclosure
IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IAS 9. The standard is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The company is currently evaluating the impact this standard is expected to have on its financial instruments.

IFRS 9 - Financial Instruments
The IASB intends to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 Financial Instruments (“IFRS 9”) which is intended to reduce the complexity in the classification and measurement of financial instruments. The IASB has determined that the revised effective date for IFRS 9 will be January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue - Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 16 – Leases
IFRS 16 was issued on January 13, 2016, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The Company is currently evaluating the impact the final standard is expected to have on its financial instruments.

3. Cash deposits

The Company had cash deposits of $nil at December 31, 2015 and $37,645 at December 31, 2014.

4. Notes receivable:

During the year ended December 31, 2014 the Company purchased notes receivable totaling $35,000. The notes bore interest at 6% - 8% per annum. During the year ended December 31, 2014 the Company recorded interest income of $2,090 in relation to the notes. During the year ended December 31, 2014 the Company received marketable securities with a fair market value of $73,611 in settlement of the Notes and accrued interest. The Company recorded investment income of $36,521 representing the gain on settlement (2013 - $nil).

(Expressed in Canadian dollars)

4. Notes receivable (continued):

	Shares	Amount
Settlement Shares Received		
Margaret Lake Diamonds Inc.	180,000.00	$ 43,200
Margaret Lake Diamonds Inc. Warrants	90,000.00	8,811
Panorama Petroleum Inc.	90,000.00	19,800
Panorama Petroleum Inc. Warrants	90,000.00	1,800
		73,611
Notes Settled		37,090
Gain on Settlement		$ 36,521

During the year ended December 31, 2014 the Company purchased a convertible note receivable in the amount of $10,000 maturing on August 25, 2015. The note bears interest at 10% per annum. The fair value of the debt component of the Note was estimated at $7,478. The fair value of the convertible component of the Note of $2,522 was estimated using the Black-Scholes option-pricing model assuming an expected life of 1 year, a risk-free interest rate of 1.01% and an expected volatility of 66.31%. During the year ended December 31, 2014 the Company recorded interest income of $351 and an additional $803 in accreted interest income in relation to the convertible note. (2013 - $nil).

During the year ended December 31, 2015 the note was extended until August 25, 2016 and the Company recorded interest income of $1,035 and an additional $2,520 in accreted interest income in relation to the convertible note.

5. Marketable securities:

	Number of shares	Cost	Market Value
Fair value measurement using quoted prices in an active market - Level 1			
Marketable securities consist of:			
Margaret Lake Diamonds Inc. warrants	90,000	8,511	794
December 31, 2015		$ 8,511	$ 794

(Expressed in Canadian dollars)

5. Marketable securities (continued):

	Number of shares		Cost		Market Value
Fair value measurement using quoted prices in an active market - Level 1					
Marketable securities consist of:					
Bengal Energy (BNG)	22,666	$	525,838	$	7,706
Huntington Exploration (HEI)	1,533,333		230,000		15,333
Palos Merchant Bank	2,975		35,762		15,956
Highbank Resources Ltd.	59,500		18,125		12,495
Noka Resources Inc.	25,000		10,225		2,125
Arctic Star Exploration	100,000		12,025		3,000
Immuno Vaccine Inc.	36,500		34,811		25,550
Margaret Lake Diamonds Inc.	180,000		43,200		32,400
Margaret Lake Diamonds Inc. warrants	90,000		8,511		3,469
Panorama Petroleum Inc.	90,000		19,800		5,850
December 31, 2014		$	938,297	$	123,885

Gain (Loss) from disposition of marketable securities was as follows:

Year ended December 31, 2015	Shares Disposed		Carrying Value		Proceeds		Gain (Loss)
Arctic Star Exploration	100,000	$	3,500	$	2,900	$	(600)
Bengal Energy	22,666		5,893		5,567		(326)
Chlormet Tech	100,000		7,363		5,562		(1,801)
Highbank Resources Ltd.	59,500		9,346		8,734		(1,032)
Huntington Exploration	1,533,333		15,333		9,107		(6,226)
Immuno Vaccine Inc.	36,500		25,550		24,779		(771)
Margaret Lake Diamonds Inc.	180,000		27,575		18,600		(8,375)
Noka Resources Inc.	25,000		35,762		5,538		2,288
Palos Merchant Bank	2,975		15,956		14,452		(1,414)
Panorama Petroleum Inc.	90,000		1,350		1,245		(105)
	2,149,974	$	147,628	$	96,484	$	(18,362)

Year ended December 31, 2014	Shares Disposed		Cost		Proceeds		Gain (Loss)
Immuno Vaccine Inc.	5,000	$	4,771	$	6,508	$	1,737
Highbank Resources Ltd.	77,000		23,456		17,723		(5,733)
Panorama Petroleum Inc. Warrants (expired)	90,000		1,800		-		(1,800)
		$	30,026	$	24,231	$	(5,795)

(Expressed in Canadian dollars)

6. Other Investment:

During the year ended December 31, 2015 the Company subscribed for 1,330,665 shares of Buda Juice LLC a private company at $US $0.30 per share for a cost of $ 499,757 ($US 399,200). The investment is classified as available for sale. The Company recognized an unrealized foreign exchange gain of $34,877 in relation to the shares in the year ended December 31, 2015 which was recorded in other comprehensive income.

7. Related party transactions:

For the year ended December 31, 2015 the Company recorded the following transactions with related parties:

a) $90,000 in management fees to the CEO of the Company (2014 - $90,000).

b) $9,000 in consulting fees to the CEO of the Company (2014 - $20,000).

c) $66,914 in accounting fees to a company controlled by the CFO of the Company (2014 - $26,345).

d) The Company recorded $23,902 in rent expense to a company controlled by the CEO of the Company (2014 – $42,427).

Key management compensation in the year ended December 31, 2015 and 2014 was as follows:

		Year ended December 31, 2015		Year ended December 31, 2014
CEO for management fees	$	90,000	$	90,000
CEO for consulting fees		9,000		20,000
CFO for accounting fees		66,914		26,345
Director for consulting fees		61,950		
Balance, end of year	$	165,914	$	136,345

Amounts owing to related parties at December 31, 2015 and December 31, 2014 was as follows:

		December 31, 2015		December 31, 2014
CEO for accrued management fees	$	32,628	$	4,425
Balance, end of year	$	32,628	$	4,425

Included in accounts payable is $39,214 owing to a company controlled by the CFO.

8. Share capital:

(a) Authorized:

The authorized shares of the Company can be issued in any combination of common and preferred shares up to $5,000,000 with no par value.

8. Share capital (continued):

(b) Issued:

12,659,763 common shares with a value of $4,180,021 were outstanding at December 31, 2015 (December 31, 2014 – 6,506,763 common shares with a value of $3,625,057).

On December 15, 2015 the Company closed the final tranche of the private placement announced on January 7, 2015 and issued 1,237,500 units for gross proceeds of $123,750. Each Unit was issued at a price of $0.10 and is comprised of one common share and one common share purchase warrant entitling the holder thereof to acquire one Common Share at a price of $0.14 for a year of two years from the date of closing. The fair value of the warrants was estimated at $50,113 using the residual method and is included in reserves.

On August 19, 2015 the Company closed the first tranche of the private placement announced on January 7, 2015 and issued 4,915,500 units for gross proceeds of $491,550. Each Unit was issued at a price of $0.10 and is comprised of one common share and one common share purchase warrant entitling the holder thereof to acquire one Common Share at a price of $0.14 for a year of two years from the date of closing. A total of $1,316 cash was paid to finders in addition to the issuance of 13,160 broker's warrants which are exercisable into common shares at 14 cents per share for a two-year period. The full amount of the proceeds was attributed to the shares, hence the value of the warrants was estimated at nil. The fair value of the finders' warrants is estimated using Black-Scholes at $691.

On April 23, 2014, the Company closed a non-brokered private placement of 2,300,000 units at a price of $0.20 per unit for aggregate gross proceeds of $460,000. Each unit is comprised of one common share and one half share purchase warrant. Each full warrant is exercisable at $0.50 for one year from date of issuance. The full amount of the proceeds was attributed to the shares, hence the value of the warrants was estimated at nil.

On May 15, 2014, The Company closed an additional non-brokered private placement of 200,000 units at a price of $0.20 per unit for gross proceeds of $40,000. Each unit is comprised of one common share and one-half share purchase warrant. Each full warrant is exercisable at $0.50 for one year from date of issuance. The full amount of the proceeds was attributed to the shares, hence the value of the warrants was estimated at nil.

(Expressed in Canadian dollars)

8. Share capital (continued):

(c) Warrants:

The following warrants were outstanding:

	December 31, 2015			December 31, 2014		
Expiry Date	Number of shares	Weighted average exercise price	Weighted average life in years	Number of shares	Weighted average exercise price	Weighted average life in years
April 23, 2015	-	-	-	1,150,000	$0.50	
May 14, 2015	-	-	-	100,000	$0.50	
August 19, 2017	4,928,660	$0.14	1.63	-	-	
December 15, 2017	1,237,500	$0.14	1.96	-	-	-
	6,166,160	$0.14	1.70	1,250,000	-	0.30

For the year ended December 31, 2015, a total of 1,250,000 warrants expired unexercised.

The changes in warrants were as follows:

	Year ended December 31, 2015			Year ended December 31, 2014		
	Number of Shares	Weighted average exercise price	Weighted average life in years	Number of Shares	Weighted average exercise price	Weighted average life in years
Balance, beginning of year	1,250,000	$ 0.50	0.30	-	$ -	-
Granted in year	6,166,160	0.14	1.70	1,250,000	0.50	0.65
Expired in year	1,250,000	0.50	-	-	-	-
Balance, end of year	6,166,160	$ 0.14	1.70	1,250,000	$ 0.50	0.30

(Expressed in Canadian dollars)

8. Share capital (continued):

(d) Stock options:

On April 23, 2014, the Board of Directors approved a stock option plan whereby up to 630,676 common shares may be issued.

On April 28, 2014 the Company awarded 450,000 incentive stock options exercisable at $0.28 per common share to directors, officers and consultants of the Company, expiring on April 27, 2019. The fair value of $103,636 was estimated using the Black-Scholes option-pricing model assuming an expected life of 5 years, a risk-free interest rate of 1.67% and an expected volatility of 119%. The Options vest as to one third immediately and as to an additional one third on the first and second anniversaries of the date of grant. In the year ended December 31, 2015 the Company recognized stock based management fees of $14,209 (2014 - $34,798) and stock based consulting fees of $14,209 (2014 - $34,798).

On May 21, 2014 the Company awarded 200,000 incentive stock options exercisable at $0.60 per common share to a director and certain consultants of the Company, expiring on May 20, 2019. The fair value of $117,339 was estimated using the Black-Scholes option-pricing model assuming an expected life of 5 years, a risk-free interest rate of 1.56% and an expected volatility of 119%. The Options vest as to one third immediately and as to an additional one third on the first and second anniversaries of the date of grant. In the year ended December 31, 2015 the Company recognized stock based consulting fees of $50,114 (2014 - $75,102).

During the year 33,334 options exercisable at $0.60 were cancelled.

The following share options were outstanding:

	December 31, 2015				December 31, 2014			
Expiry Date	Vested and exercisable	Number of shares	Weighted average exercise price	Weighted average life in years	Vested and exercisable	Number of shares	Weighted average exercise price	Weighted average life in years
April 28, 2019	300,000	450,000	$ 0.28	3.32	150,000	450,000	$ 0.28	4.26
May 21, 2019	111,111	166,666	$ 0.60	3.39	66,667	200,000	$ 0.60	4.40
	411,111	616,666	$ 0.37	3.34	216,667	650,000	$ 0.38	4.30

(Expressed in Canadian dollars)

8. Share capital (continued):

(d) Stock options (continued):

The changes in options were as follows:

	Year ended December 31, 2015			Year ended December 31, 2014		
	Number of Shares	Weighted average exercise price	Weighted average life in years	Number of Shares	Weighted average exercise price	Weighted average life in years
Balance, beginning of year	650,000	$ 0.38	4.30	-	$ -	-
Granted in year	-	-	-	650,000	$ 0.38	5.00
Forfeited in year	33,334	$ 0.60	-	-	-	-
Balance, end of year	616,666	$ 0.38	3.34	650,000	$ 0.38	4.30

9. Reserves:

	Year ended December 31, 2015	Year ended December 31, 2014
Balance, beginning of year	$ 144,697	$ -
Change in fair value of available for sale investment	52,679	
Warrants	50,113	
Stock-based compensation expense (Note 7)	64,323	144,697
Balance, end of year	$ 311,812	$ 144,697

10. Supplemental information with respect to cash flows:

Cash paid for Interest	$ nil
Cash paid for income taxes	$ nil

11. Financial instruments and financial risk management:

(a) Fair Value:

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

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

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments.

11. Financial instruments and financial risk management (continued):

(a) Fair Value (continued):

The fair value of marketable securities is disclosed in note 4 of the financial statements and is based on quoted market prices – Level 1.

The fair value of the debt component of the convertible note is based on Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly – Level 2

The fair value of the convertible component of the convertible note is based on Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly – Level 2

The fair value of investments in warrants is based on Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly – Level 2

The fair value of Other Investment, designated as available for sale, is based on Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly – Level 2

The Company's financial instruments other than marketable securities as at December 31, 2015 and December 31, 2014 include cash, bank overdraft, notes receivable, accounts payable and accrued liabilities. The fair value of these financial instruments, approximate their carrying amounts due to their short terms to maturity.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash and cash equivalent deposits are placed with financial institutions that have a high credit rating and the Company considers the credit risk on bank deposits to be insignificant. The Company considers the credit risk on loans receivable to be low. The carrying amounts of cash, cash equivalent deposits, accounts receivable and notes receivable represents the maximum exposure to credit risk.

The Company avoids complex investment vehicles with higher risk such as asset-backed commercial paper and derivatives contracts and acquires equity investments.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The companies, in which A.I.S. holds shares, have varying degrees of liquidity and there is no assurance that the investment can be sold at the quoted market price.

11. Financial instruments and financial risk management (continued):

(d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

(e) Equity price risk:

Equity price risk arises from the fluctuations in the trading price of equity securities. The Company monitors the mix of marketable securities in its investment portfolio based on market expectations. The investments are recorded at fair value which is affected by changes in the market price of the equity securities. The nature of the equity investments exposes the Company to significant equity price risks.

(f) Interest rate risk:

The Company is not exposed to significant interest rate risk.

12. Management of capital structure:

The Company considers the amount of capital it requires in proportion to the associated risks. Generally it is the Company policy to operate with an under leveraged financial position but as conditions warrant, it may from time to time depart from this policy and use debt. Liquidity and cash management is the highest priority. Therefore adjustments may be made to the capital structure in light of changes in economic conditions and the risk characteristics of the investment portfolio. The capital structure can be adjusted in a variety of ways as circumstances may change, including: purchasing shares for cancellation (Normal Course Issuer Bid); issuing new common and preferred shares; and increasing or repaying long-term debt. The Company's objectives when managing capital are the safeguarding of assets.

The Company's share capital is not subject to external restrictions.

The Company has not paid or declared any dividends since date of incorporation, nor are any contemplated in the foreseeable future.

(Expressed in Canadian dollars)

13. Income Tax

The provision for income taxes differs from the result which would have been obtained by applying the combined federal and provincial income tax rate of 26% to the Company's loss before income taxes. The difference relates to the following items:

	December 31, 2015	December 31, 2014
Loss before income taxes	$ (593,449)	$ (1,010,140)
Combined statutory income tax rate	26.00%	26.00%
Expected income tax	(154,297)	(262,636)
Increase (decrease) resulting from:		
Effect of change in tax rate	-	(17,738)
Unrecognized items for tax purposes	4,067	2,971
Stock based compensation	16,724	37,621
Share issue costs incurred	(2,817)	(5,441)
Change in fair value of investments	127,989	-
Change in unrecognized deferred tax assets	7,793	245,223
Income tax provision	$ -	$ -

The change in tax rate is due to an increase of the provincial tax rate from 10% to 11%.

Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following deductible temporary differences.

	December 31, 2015	December 31, 2014
Deferred income tax assets		
Non-capital losses	$ 1,657,363	$ 1,120,203
Net capital losses and other	276,909	276,919
Capital assets	174,518	193,909
Investments	496,071	1,041,018
Share issue costs	221,223	16,740
	$ 2,262,084	$ 2,648,789

The Company has non-capital losses of $1,657,363 that expire between 2029 and 2034. The other deductible temporary differences do not expire under current tax legislation.

14. Subsequent Events

Subsequent to the year-end the Company received $14,500 in subscription funds for a private placement initiated subsequent to the year-end.