ARHT MEDIA INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three months ended April 30, 2016 and 2015

(Expressed in Canadian dollars)

(unaudited)

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

ARHT MEDIA INC.

Consolidated Statements of Financial Position

Unaudited

(Expressed in Canadian dollars)

As at

	Note	April 30, 2016	January 31, 2016
		$	$
ASSETS			
CURRENT			
Cash and cash equivalents		3,467,847	416,799
Restricted cash equivalents		87,500	87,500
Receivables		163,051	158,554
Deposit		25,140	27,171
Prepaid expenses		147,079	189,406
Total current assets		3,890,617	879,430
NON-CURRENT			
Equipment	3	386,899	349,838
Intangible asset	4, 7	102,294	-
Total non-current assets		489,193	349,838
TOTAL ASSETS		4,379,810	1,229,268
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	8	1,031,866	827,535
Deferred revenue		-	21,250
Loan payable	5	300,877	319,298
TOTAL LIABIILITIES		1,332,743	1,168,083
SHAREHOLDERS' EQUITY (DEFICIENCY)			
SHARE CAPITAL	6	17,605,022	12,785,496
OPTIONS	7	1,153,557	1,054,278
WARRANTS	7	1,302,801	1,302,801
(DEFICIT)		(17,014,313)	(15,081,390)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		3,047,067	61,185
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		4,379,810	1,229,268

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 9)

APPROVED ON BEHALF OF THE DIRECTORS ON JUNE 28, 2016:

“Rene Bharti” *“Paul Duffy”*

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

ARHT MEDIA INC.

Consolidated Statements of Operations and Comprehensive Loss
Unaudited
(Expressed in Canadian dollars)

	Note	For the three months ended April 30, 2016	April 30, 2015
		$	$
Revenue		346,768	-
Cost of sales		279,800	-
Gross margin		66,968	-
Expenses:			
Consulting and management fees	8	866,226	273,914
Research expenditures		394,320	349,981
Office, rent and supplies		159,495	159,406
Professional fees		59,115	74,392
Travel		196,212	66,050
Shareholder, communications and filing fees		38,157	43,217
Selling and marketing		136,257	40,567
Amortization		67,425	20,003
Share-based compensation	7, 8	63,474	5,167
Loan interest		19,210	-
Total expenses		(1,999,891)	(1,032,697)
Total net loss and comprehensive loss		(1,932,923)	(1,032,697)
Net loss per share - basic and diluted		(0.02)	(0.02)
Weighted average number of common shares outstanding		80,968,085	64,468,425

ARHT MEDIA INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
Unaudited
(Expressed in Canadian dollars)

	Note	Number of Shares #	Share Capital $	Share-based payments Options $	Share-based payments Warrants $	Accumulated Deficit $	Total Shareholders' Equity $
Balance, January 31, 2016		77,112,464	12,785,496	1,054,278	1,302,801	(15,081,390)	61,185
Share-based compensation	7	-	-	99,279	-	-	99,279
Private placement	6(b) (iv)	19,278,104	4,819,526	-	-	-	4,819,526
Net (loss) for the period		-	-	-	-	(1,932,923)	(1,932,923)
Balance, April 30, 2016		96,390,568	17,605,022	1,153,557	1,302,801	(17,014,313)	3,047,067
Balance, January 31, 2015		60,984,964	8,705,860	886,723	35,712	(9,740,264)	(111,969)
Share-based compensation	7, 8	-	-	5,167	-	-	5,167
Private placement	6(b) (i)	5,172,500	2,069,000	-	-	-	2,069,000
Share issuance cost	6(b) (i)	-	(11,330)	-	-	-	(11,330)
Warrants issued	6(b) (i)	-	(514,740)	-	514,740	-	-
Warrant valuation on shares issuance	6		35,712		(35,712)	-	-
Finder's warrants exercised		248,000	62,000	-	-	-	62,000
Net (loss) for the period		-	-	-	-	(1,032,697)	(1,032,697)
Balance, April 30, 2015		66,405,464	10,346,502	891,890	-	(10,772,961)	980,171

ARHT MEDIA INC.

Consolidated Statements of Cash Flows
Unaudited
(Expressed in Canadian dollars)

	Note	For the three months ended April 30, 2016	April 30, 2015
		$	$
Cash (used) in operating activities			
Net (loss) for the period		(1,932,923)	(1,032,697)
Items not involving cash:			
Share-based compensation	7, 8	99,279	5,167
Share-based compensation on intangible asset	4	(35,805)	-
Amortization		67,425	20,003
Cash (used in) operating activities before change in working capital items		(1,802,024)	(1,007,527)
Net change in working capital items		222,941	29,684
Net cash (used in) operating activities		(1,579,083)	(977,843)
Cash provided by financing activities			
Private placement	6(b) (iv)	4,819,526	2,069,000
Share issuance cost		-	(11,330)
Loan repayment	5	(18,420)	-
Finder's warrants exercised		-	62,000
Net cash provided by financing activities		4,801,106	2,119,670
Cash (used in) investing activities			
Expenditures on equipment		(104,486)	(162,764)
Expenditures on intangible asset	4	(66,489)	-
Net cash (used in) investing activities		(170,975)	(162,764)
Change in cash and cash equivalents		3,051,048	979,063
Cash and cash equivalents, beginning of period		416,799	114,365
Cash and cash equivalents, end of period		3,467,847	1,093,428
Cash and cash equivalents is comprised of:			
Cash		3,335,347	1,093,428
Cashable GIC		132,500	20,000
		3,467,847	1,093,428

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND GOING CONCERN

ARHT Media Inc. (formerly Vast Exploration Inc., the "Company" or "ARHT") is a publicly traded company with the registered office located at Suite 805, 65 Queen Street West, Toronto, Ontario, M5H 2M5. The Company is traded on the TSX Venture Exchange (the "Exchange") under the symbol "ART". The Company creates lifelike digital representations for the purposes of proximity marketing through a variety of potential revenue streams across multiple media channels and distribution platforms.

The Company effected the closing of the reverse-takeover transaction (the "RTO") pursuant to an amalgamation agreement (the "Amalgamation Agreement") among the Company, its wholly-owned subsidiary and Delebrity Inc. ("Delebrity"), pursuant to which the Company acquired all of the issued and outstanding common shares of Delebrity by way of amalgamation between its wholly-owned subsidiary and Delebrity and following which the amalgamated company became a wholly-owned subsidiary of the Company. Under the terms of the Amalgamation Agreement, all of the outstanding Delebrity common shares were exchanged for common shares of the Company on a one for one basis, such that former shareholders of Delebrity continued as shareholders of the Company. As a result, 44,193,755 common shares were issued by the Company to former Delebrity shareholders, on a non-diluted basis. Included in the 44,193,755 common shares issued to security holders of Delebrity were 12,318,755 common shares issued in connection with a non-brokered private placement completed by Delebrity on April 25, 2014. As a result, former Delebrity shareholders held a controlling interest in the resulting issuer and the transaction constituted a reverse acquisition with Delebrity being the accounting acquirer. Subsequent to the RTO, Delebrity changed its fiscal year-end from December 31 to January 31.

On October 15, 2014, the Company completed its RTO with Delebrity and obtained final acceptance of the Exchange for the listing of its common shares. ARHT's common shares began trading on the Exchange on October 17, 2014 at market open under the ticker symbol "ART" as a Tier 2 Technology Issuer

Going concern

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. To date, the Company has not generated significant revenues and is dependent on the raising of sufficient capital to realize its assets and discharge its obligations. While the Company has been successful in obtaining financing in the past, there is no guarantee that it will continue to do so in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. These conditions include the fact that the Company has incurred operating losses since inception, has no source of operating cash flow, and that there can be no assurances that sufficient funding will be available to cover general and administrative expenses necessary for the maintenance of a public company. The Company's status as a going concern is contingent upon raising the necessary funds via private placement or debt financing. Continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required. Realization values may be substantially different from carrying values as shown in these financial statements. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments may be material.

At April 30, 2016, the Company had cash and cash equivalents of $3,467,847 (January 31, 2016 - $416,799). During the three months ended April 30, 2016, the Company incurred a net loss of $1,932,923 (three months ended April 30, 2015 - $1,032,697), used cash in operations totaling $1,543,278 (three months ended April 30, 2015 – $977,843), generated cash from financing activities of $4,801,106 (three months ended April 30, 2015 – $2,119,670) and used cash in investing activities of $206,780 (three months ended April 30, 2015- $162,764).

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND GOING CONCERN (CONTINUED)

The condensed interim financial statements have been prepared on a historical cost basis except for those financial instruments carried at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company were prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. These condensed interim consolidated financial statements have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out in the Company's annual consolidated financial statements for the twelve month period ended January 31, 2016 were consistently applied to all the periods presented unless otherwise noted below. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the twelve month period ended January 31, 2016.

Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary ARHT Media (USA) Inc., a company incorporated in the State of California.

Subsidiaries
Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

New and future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following pronouncements have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 7 – Financial Instruments: Disclosures ("IFRS 7") was amended in September 2014 to clarify whether a servicing contract is continuing involvement in a transferred asset for purposes of determining the disclosures required. IFRS 7 was also amended to clarify that the additional disclosures relating to offsetting are not specifically required for interim periods unless required by IAS 34. The amendments are effective for annual periods beginning on or after January 1, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 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, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 - Revenue From Contracts With Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

IAS 38 - Intangible Assets ("IAS 38") and IAS 16 – Property, Plant and Equipment ("IAS 16"), were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods is inappropriate. The amendments are effective for annual periods beginning on or after January 1, 2016.

(Expressed in Canadian dollars)

3. EQUIPMENT

	Computer hardware	Computer software	Video projectors and screens	Leasehold Improvements	Total
Cost as at January 31, 2015	$ 18,317	$ 6,594	$ 117,396	$ -	$ 142,307
Additions	8,254	-	383,745	44,286	436,285
Cost as at January 31, 2016	$ 26,571	$ 6,594	$ 501,141	$ 44,286	$ 578,592
Additions	4,572	-	78,801	19,986	103,360
Cost as at April 30, 2016	$ 31,143	$ 6,594	$ 579,943	$ 64,272	$ 681,952
Accumulated amortization as at January 31, 2015	(2,563)	(4,396)	(23,425)	-	(30,384)
Change for the period	(5,885)	(2,198)	(190,287)	-	(198,370)
Accumulated amortization as at January 31, 2016	(8,448)	(6,594)	(213,712)		(228,754)
Change for the period	(1,914)	-	(64,385)	-	(66,299)
Accumulated amortization as at April 30, 2016	(10,362)	(6,594)	(278,097)		(295,053)
Net book value as at January 31, 2015	$ 15,754	$ 2,198	$ 93,971	$ -	$ 111,923
Net book value as at January 31, 2016	$ 18,123	$ -	$ 287,429	$ 44,286	$ 349,838
Net book value as at April 30, 2016	$ 20,781	$ -	$ 301,845	$ 64,272	$ 386,899

4. INTANGIBLE ASSET

On February 19, 2016, the Company entered an exclusive licensing agreement (the “Agreement”) with Notorious Big, LLC (“Big LLC”), with respect to the licensing of Christopher G. L. Wallace’s digital image for a term of five years throughout the world. In consideration of all of the rights granted in the Agreement, the Company paid Big LLC an initial fee in the amount of US$50,000 and granted Big LLC an option to purchase 500,000 common shares of the Company for $0.20 per share. In addition, Big LLC shall receive 50% of net profits and the Company shall not require payment in full of its costs and expenses prior to distributing Big LLC’s portion of net profits.

5. LOAN PAYABLE

On June 3, 2015, the Company entered a credit facility agreement with its commercial bank to arrange a $350,000 credit facility to finance the purchase of fixed assets. The facility has a 5 year term but is renewed annually with the first year anniversary being on August 12, 2016 and bears interest at Royal Bank of Canada’s prime rate plus a 3% margin, and is secured by a general security agreement covering all the assets of the Company and an $87,500 guaranteed investment certificate. The loan can be repaid at any time at the Company’s discretion without penalty. Principal is payable by monthly payments of $6,140 plus interest and any remaining principal balance is payable upon maturity. The first three months of principal payment was waived. The Company has classified the total amount of the loan as due within one year in the Statement of Financial Position as at April 30, 2016 and January 31, 2016.

(Expressed in Canadian dollars)

6. SHARE CAPITAL

(a) Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares, with no par value.

(b) Common shares issued:

	Number of Shares #	Amount $
Balance, January 31, 2015	60,984,964	8,705,860
Finders' warrants exercised	248,000	62,000
Value of warrants exercised	-	35,712
Private placement (i)	5,172,500	2,069,000
Share issuance cost (i)	-	(11,330)
Value of warrants (i)	-	(514,740)
Private placement (ii)	3,800,000	1,520,000
Value of warrants and finders' warrants (ii)	-	(309,565)
Share issuance cost (ii)	-	(23,130)
Options exercised	15,000	7,185
Private placement (iii)	6,892,000	1,723,000
Value of warrants (iii)	-	(478,496)
Balance, January 31, 2016	77,112,464	12,785,496
Private placement (iv)	19,278,104	4,819,526
Balance, April 30, 2016	96,390,568	17,605,022

(i) On March 6, 2015, the Company completed a private placement for gross proceeds of $2,069,000 by issuing 5,172,500 units at a price of $0.40 per unit. A total of 875,000 shares were subscribed for by the Company's directors for total proceeds of $350,000. A total of $11,330 of share issuance cost was paid, consisting of cash commission of $10,200 to finders, and $1,130 of legal fees. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional share at an exercise price of $0.60 per share for a period of two years from the date of closing of the Offering. If at any time after four months and one day from the closing date the common shares of ARHT trade at $0.75 per common share or higher (on a volume weighted adjusted basis) for a period of 20 consecutive days, the Company will have the right to accelerate the expiry date of the warrants to a date that is 30 days after the Company issues a news release announcing that it has elected to exercise this acceleration right.

(ii) On August 12, 2015, the Company completed a private placement financing for gross proceeds of $ 1,520,000 comprising 3,800,000 units at a purchase price of $0.40 per unit. A total of $23,130 of share issuance cost was paid, consisting of cash commission of $22,000 to finders, and $1,130 of legal fees, and issued 25,000 finder warrants. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional share at an exercise price of $0.60 per share for a period of two years from the date of closing of the Offering. If at any time after four months and one day from the closing date the common shares of ARHT trade at $0.75 per common share or higher (on a volume weighted adjusted basis) for a period of 20 consecutive days, the Company will have the right to accelerate the expiry date of the warrants to a date that is 30 days after the Company issues a news release announcing that it has elected to exercise this acceleration right. The Company also issued 25,000 finder warrants that have the same terms as the private placement warrants.

6. SHARE CAPITAL (CONTINUED)

(iii) On January 25, 2016, the Company announced the closing of its private placement financing comprising 6,892,000 units at a purchase price of $0.25 per unit for gross proceeds of $1,723,000. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional share at an exercise price of $0.30 per share for a period of three years from the date of closing of the Offering. If at any time after four months and one day from the closing date of the offering the common shares of the Company trade at $0.45 per common share or higher (on a volume weighted adjusted basis) for a period of 20 consecutive days, the Company will have the right to accelerate the expiry date of the warrants to a date that is 30 days after the Company issues a news release announcing that it has elected to exercise this acceleration right.

(iv) On April 12, 2016, the Company announced the closing of a non-brokered private placement comprising 19,278,104 common shares units at a purchase price of $0.25 per unit for proceeds of $4,819,526.

(c) Per Share Amounts

The weighted average number of common shares outstanding during the three months ended April 30, 2016 was 80,968,085 (three months ended April 30, 2015 – 64,468,425). There was no dilutive effect of the issued and outstanding options, warrants, or conversion feature on the shareholder loans, for the three months ended April 30, 2016 and three months ended April 30, 2015.

7. RESERVES

The Company has a share bonus plan for its directors, employees and consultants. The aggregate maximum number of bonus shares available for issuance from treasury under the plan shall not exceed 10% of the issued and outstanding number of shares. The maximum number of bonus shares to be granted to any one participant under the share bonus plan shall be 2% of the issued and outstanding number of shares. The Company did not issue any shares pursuant to this share bonus plan during the three months ended April 30, 2016 and 2015.

The Company also has a stock option plan for its directors, officers, consultants and employees. The maximum number of shares issuable from time to time under the stock option plan is that number of shares equal to 10% of the number of issued and outstanding shares at the date of grant of the stock option, with no on individual being granted more than 5% of the issued and outstanding common shares. The term of the stock options shall be no greater than five years following the date of grant if the shares are listed on the Exchange If the Company is designated as a “Tier 1” listed company by the Exchange, then the term shall be no greater than ten years following the date of grant.

(Expressed in Canadian dollars)

7. RESERVES (CONTINUED)

STOCK OPTIONS

The Company's outstanding stock options as at and for the three months ended April 30, 2016 are as follows:

	Number of options issued	Weighted average exercise price $
Balance as at January 31, 2015	6,009,050	0.59
Expired	(860,050)	2.20
Exercised	(15,000)	0.25
Granted	1,775,000	0.13
Balance as at January 31, 2016	6,909,000	0.18
Granted	800,000	0.22
Balance as at April 30, 2016	7,709,000	0.19

As at April 30, 2016, outstanding options to acquire common shares of the Company were as follows:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Grant date fair value vested	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
4,000	4,000	August 4, 2011	August 4, 2016	$ 8.00	$ -	100%	0.85	0%	1.50%
750,000	750,000	December 13, 2012	December 13, 2017	0.10	69,750	160%	5	0%	1.36%
2,000,000	2,000,000	November 4, 2013	November 4, 2018	0.10	186,000	160%	5	0%	1.77%
1,000,000	1,000,000	December 9, 2013	December 9, 2018	0.10	93,000	160%	5	0%	1.81%
1,580,000	1,580,000	October 15, 2014	October 15, 2019	0.25	361,820	154%	5	0%	1.56%
250,000	250,000	November 21, 2014	November 21, 2019	0.50	112,750	146%	5	0%	1.46%
100,000	100,000	June 3, 2015	June 3, 2020	0.42	185,517	168%	5	0%	0.99%
1,225,000	1,225,000	January 8, 2016	January 8, 2021	0.17	74,662	148%	5	0%	0.64%
300,000	75,000	February 11, 2016	February 11, 2021	0.25	30,551	180%	5	0%	0.36%
500,000	166,667	February 19, 2016	February 19, 2021	0.20	39,501	169%	5	0%	0.44%
7,709,000	7,150,667				$ 1,153,558				

The Company recorded stock based compensation of $99,279 during the three months ended April 30, 2016 (three months ended April 30, 2015: $5,167).

As at April 30, 2016, the options outstanding had a weighted average remaining contractual life of 2.80 years (April 30, 2015– 3.43 years).

Expected volatility is based on the historical share prices of comparable entities.

(Expressed in Canadian dollars)

7. RESERVES (CONTINUED)

WARRANTS

	Number of warrants issued	Weighted average exercise price $
Balance as at January 31, 2015	248,000	0.25
Exercised	(248,000)	0.25
Warrants issued	2,586,250	0.60
Warrants issued	1,925,000	0.60
Warrants issued	3,446,000	0.30
Balance as at January 31, 2016 and April 30. 2016	7,957,250	0.47

As at April 30, 2016, outstanding warrants to acquire common shares of the Company were as follows:

Number outstanding	Grant date	Expiry date	Exercise price	Grant date fair value vested	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
1,336,250	February 25, 2015	February 25, 2017	$ 0.60	$ 262,497	161%	2	0%	0.47%
1,250,000	March 6, 2015	March 6, 2017	0.60	252,243	167%	2	0%	0.56%
1,925,000	August 12, 2015	August 12, 2017	0.60	309,565	125%	2	0%	0.41%
3,446,000	January 25, 2016	January 25, 2019	0.30	478,496	154%	3	0%	0.42%
7,957,250			0.47	$ 1,302,801				

As at April 30, 2016, the warrants outstanding had a weighted average remaining contractual life of 2.42 years (April 30, 2015: 1.85 years).

8. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and also comprise the directors of the Company.

The remuneration of key management personnel during the three months ended April 30, 2016 and 2015 were as follows:

	For the three months ended April 30, 2016	April 30, 2015
Short-term benefits (i)	$ 577,500	$ 187,500
Share-based payments	-	5,167
Total compensation	$ 577,500	$ 192,667

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) During the three months ended April 30, 2016, Change Path Consulting, a corporation controlled by an officer of the Company, charged consulting fees of $175,000 (three months ended April 30, 2015- $75,000) and Soumi Holdings Inc., a corporation controlled by the Chairman of the Company, charged consulting fees of $85,000 (three months ended April 30, 2015- $60,000).

The following balances were outstanding at the end of the reporting period:

	Amounts owed to related parties	
	As at April 30, 2016	As at April 30, 2015
Change Path Consulting	$ 113,000	$ -
Rene Bharti	$ 5,937	$ -

9. COMMITMENTS AND CONTINGENCIES

Management Contracts

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately $2,289,000 due within one year. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Additional minimum management contract commitments remaining under these contract approximate $348,333 due within one year.

Office Lease

In November 2011, the Company renewed the lease agreement for its office premises extending the lease until January 31, 2017. The annual estimated rent and operating costs for the office premise is approximately $300,000. Effective November 15, 2013, the Company subleased its Calgary office space to a third party on the same terms and conditions as its original lease with the landlord. In the event the subtenant does not meet its commitments, the landlord would pursue the Company for the office lease costs until lease expiry.

Scientific Research & Experimental Development ("SR&ED") Tax Credits

The Company entered into an agreement with a consultant to assist with a SR&ED tax credit claim for the December 31, 2013, October 15, 2014 and January 31, 2015 tax periods. The Company has retained the consultant on a contingency fee basis. The fees payable to the consultant will be deducted from any SR&ED refunds received. Fees are earned only upon acceptance of the claim by the Canada Revenue Agency. No tax credit claim has been accrued in these financial statements as collectability is uncertain given the claim is subject to the review and approval of the Canada Revenue Agency.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair Values of Financial Instruments

The carrying values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below:

Credit Risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of counterparty on its obligation to the Company. Cash and cash equivalents are held with a reputable Canadian financial institution, from which management believes the risk of loss is remote. HST receivable is due from the Federal Government of Canada. Management believes the credit risk concentration with respect to its financial instruments is minimal.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The loans payable bore interest at a fixed rate, thus the cash flows are not subject to interest rate risk. The Company does not hedge its exposure to interest rate risk as it is minimal and does not believe there would be any material movements for the three months ended April 30, 2016 and three months ended April 30, 2015 as a result of changes in interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Given that the Company does not have internally generated cash in flows, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company on a timely basis. The Company manages this financial risk by ensuring that funds are available to meet financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operational growth. Refer to Note 1 for details regarding the going concern assumption.

11. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of growth to maximize the return to its shareholders. The capital structure of the Company consists of cash and cash equivalents and shareholders' equity.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, changes in economic conditions and the risk characteristics of underlying assets. There were no changes in the Company's approach to capital management during the three months ended April 30, 2016 and three months ended April 30, 2015.