ARHT MEDIA INC.

CONSOLIDATED FINANCIAL STATEMENTS

for the periods ended

January 31, 2016 and 2015

(Expressed in Canadian dollars)

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McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ARHT Media Inc.

We have audited the accompanying consolidated financial statements of ARHT Media Inc. and its subsidiary, which comprise the consolidated statements of financial position as at January 31, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the twelve month period ended January 31, 2016 and the thirteen month period ended January 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ARHT Media Inc. and its subsidiary as at January 31, 2016 and 2015, and their financial performance and cash flows for the twelve month period ended January 31, 2016 and the thirteen month period ended January 31, 2015 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that ARHT Media Inc. had continuing losses during the period ended January 31, 2016 and a working capital deficiency as at January 31, 2016. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that casts significant doubt about ARHT Media Inc.'s ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
May 13, 2016

ARHT MEDIA INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
As at

	Note	January 31, 2016	January 31, 2015
		$	$
ASSETS			
CURRENT			
Cash and cash equivalents		416,799	114,365
Restricted cash equivalents	7	87,500	-
Receivables		158,554	105,304
Deposit		27,171	15,897
Prepaid expenses		189,406	59,870
Total current assets		879,430	295,436
NON-CURRENT			
Equipment	6	349,838	111,923
TOTAL ASSETS		1,229,268	407,359
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	11	827,535	519,328
Deferred revenue		21,250	-
Loan payable	7	319,298	-
TOTAL LIABIILITIES		1,168,083	519,328
SHAREHOLDERS' EQUITY (DEFICIENCY)			
SHARE CAPITAL	8	12,785,496	8,705,860
OPTIONS	9	1,054,278	886,723
WARRANTS	9	1,302,801	35,712
(DEFICIT)		(15,081,390)	(9,740,264)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		61,185	(111,969)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		1,229,268	407,359

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 12)
Subsequent events (Notes 7 and 16)

APPROVED ON BEHALF OF THE DIRECTORS:

"Rene Bharti" *"Paul Duffy"*

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

ARHT MEDIA INC.

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

	Note	For the 12 months ended January 31, 2016 $	For the 13 months ended January 31, 2015 $
Revenue		165,000	7,500
Cost of sales		45,755	-
Gross margin		119,245	7,500
Expenses:			
Consulting and management fees	11	1,528,790	829,840
Research expenditures		1,623,590	746,347
Office, rent and supplies		714,481	245,102
Professional fees		418,925	255,418
Travel		488,765	157,137
Shareholder, communications and filing fees		147,994	138,989
Selling and marketing		133,274	135,817
Amortization		192,410	30,384
Share-based compensation	9, 11	283,867	647,473
Loan interest		41,152	-
Event cost (recovery)		-	(62,222)
Transaction costs	10	-	3,996,952
Total expenses		(5,573,248)	(7,121,237)
Total net loss and comprehensive loss		(5,454,003)	(7,113,737)
Net loss per share - basic and diluted		(0.08)	(0.16)
Weighted average number of common shares outstanding		67,843,457	43,960,102

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

ARHT MEDIA INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(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, 2015		60,984,964	8,705,860	886,723	35,712	(9,740,264)	(111,969)
Share-based compensation	9, 11	-	-	283,867	-	-	283,867
Private placement	8 (b) (v) (vi) (vii)	15,864,500	5,312,000	-	-	-	5,312,000
Share issuance cost	8 (b) (v) (vi)	-	(34,460)	-	-	-	(34,460)
Warrants issued	9	-	(1,297,893)	-	1,297,893	-	-
Warrant valuation on shares issuance	9	-	35,712	-	(35,712)	-	-
Finder's warrants exercised	9	248,000	62,000	-	-	-	62,000
Finder's warrants issued	9	-	(4,908)	-	4,908	-	-
Option exercised		15,000	7,185	(3,435)	-	-	3,750
Expired options				(112,877)	-	112,877	-
Net (loss) for the year		-	-	-	-	(5,454,003)	(5,454,003)
Balance, January 31, 2016		77,112,464	12,785,496	1,054,278	1,302,801	(15,081,390)	61,185
Balance, December 31, 2013		23,750,000	900,100	239,250	-	(2,626,527)	(1,487,177)
Shareholder loan conversion	8 (b) (i)	8,125,000	650,000	-	-	-	650,000
Share-based compensation	9	-	-	647,473	-	-	647,473
Private placement	8 (b) (ii)	12,318,755	3,079,689	-	-	-	3,079,689
Share issuance cost	8 (b) (ii)	-	(86,000)	-	-	-	(86,000)
Finder's warrants	8 (b) (ii)	-	(53,280)	-	53,280	-	-
Warrant valuation on shares issuance	9		17,568		(17,568)	-	-
Finder's warrants exercised		122,000	30,500	-	-	-	30,500
Vast shares outstanding at acquisition	8 (b) (iv)	16,669,209	4,167,283	-	-	-	4,167,283
Net (loss) for the period		-	-	-	-	(7,113,737)	(7,113,737)
Balance, January 31, 2015		60,984,964	8,705,860	886,723	-	(9,740,264)	(111,969)

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

ARHT MEDIA INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Note	For the 12 months ended January 31, 2016	For the 13 months ended January 31, 2016
		$	$
Cash (used) in operating activities			
Net (loss) for the period		(5,454,003)	(7,113,737)
Items not involving cash:			
Share-based compensation	9, 11	283,867	647,473
Transaction costs		-	3,996,952
Amortization	6	198,370	30,384
Cash (used in) operating activities before change in working capital items		(4,971,766)	(2,438,928)
Net change in working capital items		305,397	306,034
Net cash (used in) operating activities		(4,666,369)	(2,132,894)
Cash provided by financing activities			
Private placement	8 (b) (v) (vi) (vii)	5,142,000	2,650,600
Share issuance cost	8 (b) (v) (vi)	(34,460)	(86,000)
Loan received	7 (d) (e)	850,000	-
Loan repayment	7 (d) (e)	(530,702)	-
Proceeds from shareholder loan advances	7(b)	-	100,000
Shareholder loan repayment	7(a)	-	(650,000)
Share issued for debt	7(a)	-	650,000
Options exercised		3,750	-
Shareholder loan repayment	7(a) (b)	-	(537,600)
Finder's warrants exercised		62,000	30,500
Cash received from Vast acquisition	10	-	193,220
Net cash provided by financing activities		5,492,588	2,350,720
Cash (used in) investing activities			
Restricted cash (cashable GIC)	7 (d)	(87,500)	-
Expenditures on equipment	6	(436,285)	(142,307)
Net cash (used in) investing activities		(523,785)	(142,307)
Change in cash and cash equivalents		302,434	75,519
Cash and cash equivalents, beginning of period		114,365	38,846
Cash and cash equivalents, end of period		416,799	114,365
Cash and cash equivalents is comprised of:			
Cash		284,299	114,365
Cashable GIC		132,500	20,000
		416,799	114,365
Supplemental Information			
Finders' warrants issued for services	8 (b)	4,908	53,280
Shareholder loan settlement	8 (b)	-	650,000
Common shares issued to settle accounts payable	8 (b)	170,000	429,089

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

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 (see Note 8(b)(ii)). 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 (see Note 10). The comparative figures presented in these consolidated financial statements are those of Delebrity. 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 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 cash flow from operating activities, 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 January 31, 2016, the Company had cash and cash equivalents and restricted cash of $504,299 (January 31, 2015 - $114,365) and a working capital deficiency of $288,653 (January 31, 2015 – deficiency of $223,892). During the year ended January 31, 2016, the Company incurred a net loss of $5,454,003 (thirteen month period January 31, 2015 - $7,113,737), used cash in operations totaling $4,666,369 (thirteen month period ended January 31, 2015 – $2,132,894), generated cash from financing activities of $5,492,588 (thirteen month period ended January 31, 2015 - $2,350,720) and used cash in investing activities of $523,785 (thirteen month period ended January 31, 2015 - $142,307). See also Note 16.

These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern.

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

The consolidated financial statements of the Company for the twelve month period ended January 31, 2016 and the thirteen month period ended January 31, 2015 were approved and authorized for issue by the Board of Directors on May 13, 2016.

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

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements of the Company were prepared in accordance with IFRS, 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. The policies were consistently applied to all the periods presented unless otherwise noted below.

Basis of consolidation

The 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation
The presentation currency of the Company is the Canadian dollar. The functional currency of the Company and its subsidiary is the Canadian dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("Foreign Currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in Foreign Currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in Foreign Currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Foreign exchange gains and are presented in the consolidated statement of loss within "office, rent and supplies".

Income tax
Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of operations except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive loss or equity, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. As at January 31, 2016, the Company had not incurred any current taxes payable (January 31, 2015 - $nil).

Deferred tax is recognized, using the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for operating losses or tax credits. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Tax credits for research and development are applied against research and development costs during the year in which the costs are incurred, provided that the Company is reasonably certain that the credits will be received. These tax credits must be examined and approved by the tax authorities and it is possible that the amounts granted will differ from the amounts recorded.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and current balances with banks and similar institutions and guaranteed investment certificates with a maturity date of less than 90 days. Cash equivalents are readily convertible into known amounts of cash and have insignificant risk of changes in value.

Share capital
Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded in accordance with the Company's share-based compensation policy.

Loss per share
The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

Research and development
Research and development costs are expensed as they are incurred. However, development costs are recognized as intangible assets when they meet the following criteria: a) the feasibility of the product has been demonstrated, b) management intends to produce the product and has the capacity to bring it to market or use it, c) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, d) a defined market for the product exists, e) the Company has the resources to complete the project and f) the development costs can be evaluated reliably.

Financial instruments
The classification of financial instruments depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. The classification and measurement of the Company's financial instruments are disclosed in Note 13 to these consolidated financial statements.

Financial assets
Financial assets are accounted for on the settlement date. The Company classifies its financial assets into one of the following categories and the accounting policy for each category is as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value through profit or loss
This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are initially and subsequently recorded at fair value with changes in fair value recognized in profit or loss for the period. Cash equivalents are classified as fair value through profit or loss.

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 initially recorded at fair value and subsequently recorded on an amortized cost basis using the effective interest method, less any impairment losses. Loans and receivables are included in current assets, except for items with maturities greater than 12 months after the end of the reporting period. Cash and receivables are classified as loans and receivables.

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 initially recorded at fair value and subsequently measured at amortized cost basis using the effective interest method, less any impairment losses. These assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale
Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are initially recorded at a fair value and subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive loss, except for impairment losses which are recorded in profit or loss for the period.

Financial liabilities
The Company classifies its financial liabilities into one of two categories and the accounting policy for each category is as follows:

Fair value through profit or loss
This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are initially recorded at fair value with subsequent changes in fair value recognized in profit or loss.

Other financial liabilities
This category comprises shareholder loans payable and accounts payable and accrued liabilities, all of which are recognized at amortized cost using the effective interest method.

Impairment
At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of held-to-maturity financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

Fair value hierarchy
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's cash equivalents are classified as Level 1 of the fair value hierarchy.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Company recognizes revenue when there is evidence a sales arrangement exists, the sales price is fixed and determinable, collectability is reasonably assured and title has passed. Revenue from fixed-price service contracts and subscriptions are recognized over the life of a contract on a straight–line basis. Revenue billed in advance of its recognition is reflected as deferred revenue. Revenue and income from custom service contracts are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs.

Share-based payments and warrants

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

On exercise, the value originally recorded in options and warrants reserves is recorded to share capital with proceeds received. For those options and warrants that expire after vesting, the recorded value is transferred from options and warrants reserves to deficit.

4. NEW ACCOUNTING POLICIES AND PRONOUNCEMENTS

New accounting policies

During the year ended January 31, 2016, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements to existing standards. These included IFRS 8, IFRS 13 and IAS 24. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after February 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following 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.

4. NEW ACCOUNTING POLICIES AND PRONOUNCEMENTS (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.

5. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment is used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Research and development expenditures

Management monitors the progress of internal research and development. Significant judgement is required in distinguishing the research phase from the development phase. Development costs are recognized as an asset when all the criteria are met, whereas research costs are expensed as incurred.

- Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals, Scientific Research & Experimental Development ("SR&ED") claim accruals and deferred income tax provisions in the period in which such determination is made. See also Note 12.

- Contingencies

Refer to Note 12.

(Expressed in Canadian dollars)

6. EQUIPMENT

	Computer hardware	Computer software	Video projectors and screens	Leasehold Improvements	Total
Cost as at December 31, 2013	$ -	$ -	$ -	$ -	$ -
Additions	18,317	6,594	117,396	-	142,307
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
Accumulated amortization as at December 31, 2013	-	-	-	-	-
Change for the period	(2,563)	(4,396)	(23,425)	-	(30,384)
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)
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

7. LOANS PAYABLE

Balance, December 31, 2013		$ 1,087,600
Settlement of shareholder loans	(a)	(650,000)
Loan from corporate shareholder	(b)	100,000
Repayment loan from corporate shareholder	(b)	(100,000)
Settlement of shareholder loans	(a)	(437,600)
Loan from shareholder	(c)	150,000
Repayment loan from corporate shareholder	(c)	(150,000)
Balance, January 31, 2015		$ -
Credit facility from commercial bank	(d)	350,000
Repayment loan from corporate shareholder	(e)	500,000
Repayment loan from corporate shareholder	(e)	(500,000)
Repayment credit facility loan	(d)	(30,702)
Balance, January 31, 2016		$ 319,298

7. LOANS PAYABLE (CONTINUED)

The Company has entered into the following loan arrangements:

a) On March 1, 2014, the Company issued 8,125,000 common shares to settle shareholder loans in the amount of $650,000. The lenders of the loan agreed to waive all past and future interest owing pursuant to the loan agreements and accordingly, no interest expense was recorded in the financial statements. The remaining balance of the shareholder loans of $437,600 was repaid from proceeds received from the private placement on April 25, 2014.

b) On March 3, 2014, a corporate shareholder provided a loan for $100,000, bearing interest at 3% per annum and maturing on June 4, 2014. The loan was repaid on April 26, 2014 in full.

c) On September 30, 2014, a private third party entity provided the Company with a loan in the amount of $150,000. The loan was unsecured, bearing interest at 5% per annum, and due on October 1, 2015. The loan was repaid on October 17, 2014 in full.

d) 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 January 31, 2016.

e) On December 1, 2015, the Company entered into an unsecured debenture agreement for $500,000, carrying a 4% arrangement fee and bearing interest at 12% per annum. The Company agreed to engage the debenture holder for certain services for a $50,000 one-time fee. The loan was repaid on January 25, 2016 in full.

f) On March 1, 2016, the Company entered into an unsecured debenture agreement for $200,000, carrying a $25,000 arrangement fee and bearing interest at 8% per annum. The loan was repaid on April 12, 2016 in full.

g) On March 1, 2016, the Company entered into an unsecured debenture agreement for US$50,000 ($67,615), carrying 5% arrangement fee and bearing interest at 5% per annum. The loan was repaid on April 12, 2016 in full.

(Expressed in Canadian dollars)

8. 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, December 31, 2013	23,750,000	900,100
Settlement of shareholder loans (i)	8,125,000	650,000
Private placement (ii)	12,318,755	3,079,689
Share issuance cost (ii)	-	(86,000)
Value of finders' warrants (ii)	-	(53,280)
Vast shares outstanding at acquisition (iv)	16,669,209	4,167,283
Finders' warrant exercised	122,000	30,500
Value of warrants exercised	-	17,568
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 (v)	5,172,500	2,069,000
Share issuance cost (v)	-	(11,330)
Value of warrants (v)	-	(514,740)
Private placement (vi)	3,800,000	1,520,000
Value of warrants and finders' warrants (vi)	-	(309,565)
Share issuance cost (vi)	-	(23,130)
Options exercised	15,000	7,185
Private placement (vii)	6,892,000	1,723,000
Value of warrants (vii)	-	(478,496)
Balance, January 31, 2016	77,112,464	12,785,496

(i) On March 1, 2014, the Company issued 8,125,000 common shares to settle shareholder loans described in Note 7 in the amount of $650,000 at a conversion rate of $0.08 per common share.

(ii) On April 25, 2014, in connection with the RTO (see Note 10), the Company completed a private placement for gross proceeds of $3,079,689 by issuing 12,318,755 shares at a price of $0.25 per share. A total of 400,000 shares were subscribed for by the Company's director for total proceeds of $100,000. A total of $86,000 of share issuance cost was paid, consisting of cash commission of $61,000 to finders, and $25,000 of legal fees. In addition, certain finders were issued a total of 370,000 finder's warrants. Each finder's warrant was exercisable until April 25, 2015 and entitled the holder to acquire one common share for cash consideration of $0.25. $537,600 of the proceeds received was used to settle the remaining portion of the shareholder loans payable, and $429,089 of the proceeds was applied to settle accounts payable.

8. SHARE CAPITAL (CONTINUED)

(iii) Effective March 2, 2014, the Company split its issued and outstanding common shares on the basis of one and one quarter (1.25) post-split common shares for each one (1) pre-split common share. The share split did not adjust the terms of conversion or exercise of the outstanding convertible debentures which were convertible into 4,376,000 post-split common shares and outstanding stock options exercisable into 3,750,000 post-split common shares. All references to common shares and per share amounts reflected in these financial statements have been adjusted to retrospectively reflect the effect of this share split.

(iv) On October 15, 2014, Vast and Delebrity completed a RTO and obtained final acceptance of the Exchange for the listing of its common shares. As at that date, 16,669,209 common shares were effectively issued to the shareholders of Vast with an estimated fair value of $4,167,283 based on the financing price as completed by Delebrity on April 25, 2014 of $0.25 per common share. See Note 10.

(v) 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.

(vi) 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. 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.

(vii) 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.

(c) Per share amounts

The weighted average number of common shares outstanding during the twelve month period ended January 31, 2016 was 67,843,457 (thirteen month period ended January 31, 2015 – 43,960,102). There was no dilutive effect of the issued and outstanding options, warrants, or conversion feature on the shareholder loans, for the twelve month period ended January 31, 2016 and for the thirteen month period ended January 31, 2015.

(Expressed in Canadian dollars)

9. 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 twelve month period ended January 31, 2016 and the thirteen month period ended January 31, 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.

STOCK OPTIONS

The Company's outstanding stock options as at and for the twelve month period ended January 31, 2016 and thirteen month period ended January 31, 2015 are as follows:

	Number of options issued	Weighted average exercise price $
Balance as at December 31, 2013	3,750,000	0.10
Options acquired from Vast (Note 10)	49,050	39.23
Granted	2,210,000	0.28
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

As at January 31, 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	250,000	January 8, 2016	January 8, 2021	0.17	45,441	148%	5	0%	0.64%
6,909,000	5,684,000				$ 1,054,278				

(Expressed in Canadian dollars)

9. RESERVES (CONTINUED)

The Company recorded stock based compensation of $283,867 during the twelve month period ended January 31, 2016 (thirteen month period ended January 31, 2015: $647,473).

As at January 31, 2016, the options outstanding had a weighted average remaining contractual life of 3.25 years (January 31, 2015: 3.62 years).

Expected volatility is based on the historical share prices of the Company.

WARRANTS

	Number of warrants issued	Weighted average exercise price $
Balance as at December 31, 2013	-	-
Finder's warrants issued	370,000	0.25
Exercised	(122,000)	0.25
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	7,957,250	0.47

As at January 31, 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 January 31, 2016, the warrants outstanding had a weighted average remaining contractual life of 2.02 years (January 31, 2015: 0.35 year).

(Expressed in Canadian dollars)

10. RTO TRANSACTION

Under the acquisition accounting rules, Delebrity was determined to be the accounting acquirer of Vast. The transaction was assumed to constitute an asset acquisition as Vast did not meet the definition of a business. The assets acquired and liabilities assumed were recorded at their estimated fair market values, which are based on management estimates.

Purchase Price Consideration Paid	
Estimated fair value of Vast shares (i)	$4,167,283
Estimated fair value of Vast options (ii)	-
	4,167,283
Net Assets Acquired	
Cash	$193,220
Accounts receivable	15,642
Prepaid expenses	10,530
Promissory note receivable	1
Accounts payable and accruals	(49,062)
	170,331
Excess of purchase price over fair value of assets acquired (expensed)	3,996,952
	$4,167,283

(i) The estimated fair value of the shares issued was based on the recent financing price as completed by Delebrity prior to the acquisition at $0.25 per common share. See Note 8 (b) (ii).

(ii) The measurement date fair value of the 49,050 options issued with a weighted average exercise price of $39 was estimated based on an underlying share price of $0.25, an expected life of 0.85 years, an expected volatility of 100%, a risk free interest rate of 1.5% and an expected dividend yield of 0%.

11. 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 twelve months ended January 31, 2016 and thirteen months ended January 31, 2015 were as follows:

	For the 12 months ended January 31, 2016	For the 13 months ended January 31, 2015
Short-term benefits (i)	$ 735,000	$ 602,889
Share-based payments	23,617	314,883
Total compensation	$ 758,617	$ 917,772

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) During the twelve months ended January 31, 2016, Change Path Consulting, a corporation controlled by an officer of the Company, charged consulting fees of $380,000 (thirteen months ended January 31, 2015 - $235,000), Soumi Holdings Inc., a corporation controlled by the Chairman of the Company, charged consulting fees of $240,000 (thirteen months ended January 31, 2015 - $155,000), 1449352 Ontario Ltd., a corporation controlled by a former director of the Company, charged consulting fees of $67,500 (thirteen months ended January 31, 2015 - $Nil) and 2015565 Ontario Ltd., a corporation controlled by a director of the Company, charged consulting fees of $5,000 (thirteen months ended January 31, 2015 - $Nil).

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

	Amounts owed to related parties	
	As at January 31, 2016	As at January 31, 2015
Soumi Holdings Inc.	$ 22,600	$ 5,650
Rene Bharti	$ 4,627	$ -
Change Path Consulting	$ -	$ 5,650

These amounts payable are unsecured, non-interest bearing and due on demand.

See also Notes 7, 8, 9 and 12.

12. COMMITMENTS AND CONTINGENCIES

Management Contracts

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately $1,974,000 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 $315,000 due within one year.

Consultant Contracts

The Company is party to certain consulting contracts. The Company has committed to issue options to acquire 700,000 common shares of ARHT to certain consultants, subject to the approval of the Board of Directors, which has not occurred as at January 31, 2016. These contracts also contain clauses requiring additional contingent payments of up to approximately $44,000. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Additional minimum contract commitments to certain consultants remaining under these contracts of approximately $110,000 due within one year.

Office Lease

In April 2015, the Company entered into a 12 month lease agreement for studio rental in Los Angeles, ending on April 30, 2016. The commitment remaining under this lease agreement is approximately $52,800 (US$37,500) at January 31, 2016.

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.

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Colombia

In May 2011, Vast signed a Hydrocarbon Exploration and Production Contract ("E&P Contract") with the Agencia Nacional de Hydrocarburos of Colombia ("ANH") for the oil and gas block Putumayo-03 (the "Putumayo Block").

The E&P Contract required a minimum expenditure of USD $12.9 million over a 36 month period which was not met. Vast signed a relinquishment agreement with the ANH to relinquish its interest in the Putumayo Block back to the ANH in exchange for the ANH agreeing to waive all work commitment obligations of Vast related to the E&P Contract. The relinquishment agreement was subject to Vast and the ANH signing a final liquidation agreement which was completed on August 21, 2015.

SR&ED Tax Credits

The Company entered into an agreement with a consultant to assist with a SR&ED tax credit claim for the January 31, 2015, October 15, 2014 and December 31, 2013 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.

13. 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.

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 bear interest at fixed and variable rates. 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 thirteen month period ended January 31, 2016 and for the twelve month period ended January 31, 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 sufficient 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.

(Expressed in Canadian dollars)

14. 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 twelve month period ended January 31, 2016 and the thirteen month period ended January 31, 2015.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the Exchange which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of January 31, 2016, the Company is not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the Exchange.

15. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2015 - 26.5%) were as follows:

	January 31, 2016 $	January 31, 2015 $
(Loss) before income taxes	(5,454,003)	(7,113,737)
Expected income tax recovery based on statutory rate	(1,445,000)	(1,645,000)
Adjustment to expected income tax benefit:		
Stock-based compensation	75,000	114,000
Deferred tax assets acquired on acquisition	-	(8,778,000)
Non-deductible items	8,000	1,064,000
Other	(204,000)	(13,000)
Change in tax rates	-	(453,000)
Benefit of tax losses not recognized	1,566,000	9,711,000
Income tax provision (recovery)	-	-

(Expressed in Canadian dollars)

15. INCOME TAXES (CONTINUED)

b) Temporary differences

	January 31, 2016 $	January 31, 2015 $
Deferred income tax assets (liabilities):		
Non-capital loss carry-forwards	38,005,000	32,266,000
Share issue costs	122,000	123,000
Mineral property costs	5,540,000	5,540,000
Other temporary differences	334,000	160,000
	44,001,000	38,089,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

As at January 31, 2016, the Company had approximately $38,005,000 (2015 - $32,266,000) of non-capital losses in Canada. Included in this balance are non-capital losses of approximately $27,658,000 incurred by Vast prior to the RTO described in Note 10, which will not be available to offset taxable income in future periods. However, if it is determined that these pre-acquisition tax losses were incurred in carrying on a business that is the same or similar to that carried on by the Company subsequent to the RTO, the losses may be offset against future income derived from the same or similar business. The non capital losses expire as follows:

2026	$	439,000
2027		932,000
2028		2,558,000
2029		4,100,000
2030		3,598,000
2031		3,444,000
2032		4,830,000
2033		2,283,000
2034		9,287,000
2035		1,533,000
2036		5,001,000
	$	38,005,000

16. SUBSEQUENT EVENTS

Subsequent to January 31, 2016, the Company entered into and settled certain loan arrangements. See Notes 7(f) and 7(g).

On April 11, 2016, the Company announced that it has signed an exclusive licensing agreement (“Agreement”) with Notorious Big, LLC (“Big LLC”). Under this agreement, the Company has commitments to pay Big LLC an initial fee in the amount of US$50,000 and shall grant 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 from the use of Christopher G.L. Wallace’s digital image and the Company shall not require payment in full of its costs and expenses prior to distributing Big LLC’s portion of net profits. If the Agreement is renewed for a second term, the Company shall pay Big LLC a fee in the amount of US$100,000 and shall grant Big LLC an option to purchase up to 750,000 common shares of the Company with an exercise price to be set at the market price of the Company’s common shares on the date of the exercise of such right, and with such options vesting in five equal tranches over a period of five years.

On April 12, 2016, the Company announced the closing of its non-brokered private placement financing with NetDragon Websoft Inc. (“NetDragon”), an arm’s length corporation, by issuing 19,278,104 common shares at a price of $0.25 per unit (the “Units”), for total gross proceeds of $4,819,526.

On April 12, 2016, the Company announced that it has signed an agreement with NetDragon to establish a joint venture in select Asia Pacific markets that will include a multi-year exclusive license of the Company’s technology as well as a license of NetDragon’s mobile-focused community, instant messaging and app store technologies.