# Nexacon Energy Inc - Audited Financial Report for Fiscal 2013

NEXACON ENERGY INC

November 26, 2014

Report to Shareholders,

We are pleased to provide you with the Company's Audited Financial Report for Fiscal 2013.

Fiscal 2013 marked the beginning of a period of dynamic change for our company. From our listing on the GXG markets in February 2013, to a strategic review of our business goals and objectives over the short to long term. Today, we are pleased to report that the path ahead will embrace deliberate and highly strategic Corporate moves that will address our mission to deliver solid growth opportunities in the future.

Management made it clear during 2013 and well into Fiscal 2014 that it would be looking beyond the energy sector to generate as much value as possible from our investment activities. To be sure, our vision of Nexacon going forward is one of a dynamic and opportunistic company engaged in 'go to' business sectors where the return on investment is outsized compared with yields from mainstream sectors of the economy.

As Nexacon continues to review critical data and investment options, management has taken the position to release its 2013 Fiscal Report only when certain strategic developments for the Company could beconfirmed by the Board.

To ensure that we do what is best for our Company and its Shareholders, and in light of a 2013 change in GXG Markets rules, we informed GXG Markets in July 2014 that we would accept a voluntary halt in trading of our shares on the First Quote segment of GXG Markets, and until such time that we complete the issuance of the 2013 Audited Financial Report.

As noted above, in conjunction with certain investment initiatives that management will be announcing over the next several quarters , your management is proposing to change the name of the Company to Nexacon Corporation during the First Quarter 2015. We will be revamping the Company's web page to reflect the expanded business of the Company and to carry frequent postings of corporate developments as they occur.

We recognize that with the declining price of global oil, the energy sector may pose considerable challenges to developing a profitable investmentstrategy over the short to medium term. Nevertheless, we will continue to maintain an active investment presence while seeking out energy related situations which we believe will be beneficial for our company. We value your support and confidence and we assure you of our best efforts at all times.

For The Board of Directors
Michael S. Wexler Chairman/CEO

**Independent Auditors' Report on the Consolidated Financial Statements**

We have audited the accompanying financial statements of Nexacon Energy, Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2012 and 2013, the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2012 and 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Going Concern

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2013, the Company has a working capital deficit of $39,311 and has an accumulated deficit from operations of $59,682. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is pursuing additional financing and is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Companyis unable to continue as a going concern.

/s/Hall Group CPAs
November 25, 2014

NEXACON ENERGY INC.

Financial Statements

Years Ended December 31, 2013 and 2012

(Expressed in Canadian Dollars)

NEXACON ENERGY INC.

Statements of financial position

(Expressed in Canadian dollars)

| | December 31, 2013 $ | December 31, 2012 $ |
|---|---|---|
| Assets | | |
| Currentassets | | |
| Accounts receivable | 1,123 | - |
| Total current assets | 1,123 | - |
| Total non-current assets - notes receivable | - | 1,823 |
| Total assets | 1,123 | 1,823 |
| Liabilities | | |
| Currentliabilities | | |
| Bank indebtedness | - | - |
| Accounts payable and accrued liabilities (Note 3) | 5,000 | - |
| Due to related parties (Note 4) | 35,434 | 1,500 |
| Total current liabilities | 40,434 | 1,500 |

| | | |
|---|---|---|
| Due to Wilshire Finance Corp (Note 5) | 18,548 | - |
| Total liabilities | 58,982 | 1,500 |
| Shareholders' deficit | | |
| Share capital | 1,200 | 1,200 |
| Contributed surplus | 623 | 623 |
| Deficit | (59,682) | (1,500) |
| Total shareholders' deficit | (57,859) | 323 |
| Total liabilities and shareholders' deficit | 1,123 | 1,823 |

Going concern (Note 1)

Approved and authorized for issuance by the Board of Directors on November 25,
2014:

"Michael Wexler"
Michael Wexler, Director

NEXACON ENERGY INC.

Statements of comprehensive loss

(Expressed in Canadian dollars)

| | Year ended December 31, 2013 | Year ended December 31, 2012 |
|---|---|---|
| | $ | $ |
| Revenue | - | - |
| Expenses | | |
| Consulting fees | 25,671 | - |
| Filing fees | 22,171 | - |
| Office and miscellaneous | 5,340 | 1,500 |
| Professional fees | 5,000 | - |
| Operatingexpenses | 58,182 | 1,500 |
| Loss before other income (expense) | (58,182) | (1,500) |
| Other income(expense) | | |
| Income tax expense | - | - |
| Netoperating income (loss) and comprehensive income (loss) | (58,182) | (1,500) |

| | | |
|---|---|---|
| Net income (loss) per share, basic and diluted | (0.00) | (0.00) |
| Weighted average shares outstanding | 12,000,000 | 12,000,000 |

NEXACON ENERGY INC.

Statements of changes in equity (deficit)

(Expressed in Canadian dollars)

| | Common Shares Class A Shares | Common Shares Class A Amount | Common Shares Class B Shares | Common Shares Class B Amount | Contributed Surplus | Deficit | Total |
|---|---|---|---|---|---|---|---|
| | # | $ | # | $ | $ | $ | $ |
| Balance, December 31, 2010 | - | - | - | - | - | - | - |
| Balance, December 31, 2011 | - | - | - | - | - | - | - |
| Issuance of common stock | 12,000,000 | 1,200 | - | - | 623 | - | 1,823 |
| Net loss for the year | - | - | - | - | - | (1,500) | (1,500) |
| Balance, December 31, 2012 | 12,000,000 | 1,200 | - | - | 623 | (1,500) | 323 |
| Net loss for the year | - | - | - | - | - | (58,182) | (58,182) |
| Balance, December 31, 2013 | 12,000,000 | 1,200 | - | - | 623 | (59,682) | (57,859) |

NEXACON ENERGY INC.

Statements of cash flows

(Expressed in Canadian dollars)

| | Year ended December 31, 2013 | Year ended December 31, 2012 |
|---|---|---|
| | $ | $ |
| Operating activities | | |
| Net income (loss) for the year | (58,182) | (1,500) |

| | | |
|---|---|---|
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,123) | - |
| Accounts payable and accrued liabilities | 5,000 | - |
| Due to related parties | 54,305 | 1,500 |
| Net cash used in operating activities | - | - |
| Financing activities | - | - |
| Net cash provided by financing activities | - | - |
| Increase in cash | - | - |
| Cash,beginning of year | - | - |
| Cash, end of year | - | - |
| Non-cash investing and financing activities: | | |
| Common shares issued for promissory note | - | 1,823 |
| Supplemental disclosures: | | |
| Interest paid | - | - |
| Income tax paid | - | - |

(The accompanying notes are an integral part of these financial statements)

NEXACON ENERGY INC.
Notes to the financial statements
December 31, 2013
(Expressed in Canadian dollars)

1. Nature of Operations and Continuance of Business

Nexacon Energy Inc. (the "Company") was incorporated on September 13, 2010 under the federal laws of Canada. The Company is negotiating the acquisition of a business and is evaluating several opportunities. To date, no agreements are in place (see note 10 - subsequent events).The Company's registered office is 100 Queen Street East, Toronto, Ontario, Canada, M5C1C6.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2013, the Company has a working capital deficit of $39,311 and has an accumulated deficit from operations of $59,682. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is pursuing additional financing and is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## 2. Significant Accounting Policies

### (a) Statement of Compliance

These financial statements have been prepared in accordance with InternationalFinancial Reporting Standards ("IFRS") as issued by the International Accounting StandardsBoard ("IASB") on a going concern basis.

The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency.

### (b) Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include allowance for doubtful accounts, valuation of inventory,recoverability and estimated useful life of property and equipment, recoverability of intangible assets, valuation of convertible debt, fair value of share-based payments, and deferred income tax asset valuation allowances. Actual results could differ from those estimates.

### (c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

### (d) Accounts Receivable

Accounts receivable represents tax rebates owing to the Company. Amounts are presented net of any allowance for doubtful accounts, which represents the Company's best estimate of the amount of probable credit losses in the existing accounts receivable balance. The Company determines allowance for doubtful accounts based upon historical experience and current economic conditions. The Company reviews the adequacy of its allowance for doubtful accounts on a regular basis. As of December 31, 2013, the Company had recorded an allowance for doubtful accounts of $nil (2012 - $nil).

## 2. Significant Accounting Policies(continued)

(e) Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there are indicators of impairment for its non-financial assets. If indicators exist, the Company determines if the recoverable amount of the asset or cash generating unit ("CGU") is greater than its carrying amount. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company uses geographical proximity, geological similarities, analysis of shared infrastructure, commodity type, assessment of exposure to market risks and materiality to define its CGUs.

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in the statement of comprehensive loss. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in the statement of comprehensive loss. The recovery is limited to the original carrying amount less depreciation, if any, that would have been recorded had the asset not been impaired.

(f) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

(ii) Financial assets at fair value through profit or loss

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of comprehensive loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company's cash is classified as fair value through profit or loss.

2. Significant Accounting Policies (continued) Non-derivative financial assets (continued)

(iii) Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of comprehensive loss. The Company does not have any assets classified as available-for-sale financial assets.

(iv) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of accounts receivable.

(v) Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the statement of

comprehensive loss in the period. Financial assets are assessed for indicators
of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organization

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the,amortized cost would have been had the impairment not been recognized.

2. Significant Accounting Policies (continued) Non-derivative financial assets
(continued)

In respect of available-for-sale equity securities, impairment losses previously recognized through the statement of comprehensive loss are not reversed through the statement of comprehensive loss. Any increase in fair
value subsequent to an impairment loss is recognized directly in equity.

(vi) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, due to related parties, and convertible debentures. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(vii) Share capital

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

(h) Revenue Recognition

The Company recognizes revenue from sales in accordance with IAS 18,Revenue. The Company accounts for revenue as a principal using the guidance in IAS 18. Revenue consists of orthopedic seat cushions and is recognized only when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, and the cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

(i) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

2. Significant Accounting Policies(continued)

(j) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on thetransaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date.Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations.

(k) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations inwhich applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(l) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercisedat the beginning of the period and the proceeds from their exercise are

assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share
purchase warrants is considered to be anti-dilutive. As at December 31, 2013 and 2012, the Company had no potentially dilutive shares outstanding.

(m) Comprehensive Loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations.

(n) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these financial statements.

IFRS 9, Financial Instruments (New)

IFRS 10, Consolidated Financial Statements (Amended)

2. Significant Accounting Policies(continued)

Accounting Standards Issued But Not Yet Effective(continued)

IFRS 11, Joint Arrangements (New)

IFRS 12, Disclosure of Interests in Other Entities (New)

IAS 27, Separate Financial Statements (Amended)

IAS 32, Financial Instruments: Presentation (Amended)

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Accounts Payable and Accrued Liabilities

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Trade accounts payable | - | - |
| Accrued liabilities | 5,000 | - |
| Due to related parties | 35,434 | 1,500 |
| | 40,434 | 1,500 |

## 4. Related Party Transactions

As at December 31, 2013, the Company owed $35,434 (2012 - $1,500) to a company controlled by the President of the Company. The amounts owing are non-interest bearing, unsecured, and due on demand.

## 5. Due to Wilshire Finance Corp

The Company owes $20,371 to Wilshire for expenses incurred on the start up of Nexacon. In 2012, the Company accepted a $1,823 promissory note receivable from the shareholders of the Company for common stock issuance. The note is unsecured, due interest at 5% per annum calculated at maturity and is due December 17, 2014. During 2013, the Company assigned the note receivable to Wilshire. The receivable has been offset to the payable for a net amount owing at December 31, 2013 of$18,548.

## 6. Share Capital

Authorized: Unlimited voting Class A Common Shares, no par value

Unlimitednonvoting Class B Common Shares, no par value

On December 7, 2012 the Company issued 12,000,000Class A common shares for a promissory notereceivable payable to the Companyin the amount of $1,823. (see also Note 5)

## 7. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital.

The Company, upon approval from its Board of Directors, will fund its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances after taking economic conditions into account.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2012.

## 8. Financial Instruments

### (a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at December 31, 2013, as follows:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical | ignificant other observable | Significant unobservable | Balance, |

| | instruments (Level 1) | inputs (Level 2) | inputs (Level 3) | December 31, 2013 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Accounts receivable | 1,123 | - | - | 1,123 |
| Note receivable (Note 5) | 1,823 | - | - | 1,823 |

The fair values of other financial instruments, which include accounts receivable, accounts payable andaccrued liabilities,and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments. The fair value of the convertible debt is estimated to approximate its carrying value based on borrowing rates currently available to the Company for a loan with similar terms.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutionsThe Company performs ongoing credit evaluations, does not require collateral and establishes an allowance for doubtful accounts based on the age of the receivable and the specific identification of receivables the Company considers at risk.The carrying amount of financial assets represents the maximum credit exposure.

(c) Concentrations

As at December 31, 2013, 100% (2012 - 100%) of accounts receivable weredue from one source.

(d) Foreign Exchange Rate Risk

The Company is not exposed to any significant foreign exchange rate risk.

(e) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

(f) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

9. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferredincome tax assets and liabilities, are as follows:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Statutory rate | 26.5% | 26.5% |
| Income tax expense(recovery) at statutory rate | (15,418) | (398) |
| Permanent differences and other | - | - |
| Change in valuation allowance | 15,418 | 398 |
| Provision for income taxes | - | - |

The significant components of deferred income tax assets and liabilities are:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Non-capital losses carry forwards | 59,682 | 1,500 |
| Total gross income tax assets | 15,816 | 398 |
| Valuation allowance | (15,816) | (398) |
| Net deferred incometax asset | - | - |

As of December 31, 2013, the Company has available non-capital losses carried forward of $59,682 that may be offset against future Canadian taxable income. These losses expire as follows:

| | $ |
|---|---|
| 2032 | 1,500 |
| 2033 | 58,182 |
| | 59,682 |

10. Subsequent Events

The Company has no reportable subsequent events - see also Note 1 - Nature of Operations and Continuance of Business