UMBRAL ENERGY CORP.

Annual Consolidated Financial Statements

Years ended October 31, 2015 and 2014
(Stated in Canadian Dollars)

Umbral Energy Corp.

Annual Consolidated Financial Statements

Years ended October 31, 2015 and 2014

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MORGAN & COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Umbral Energy Corp.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Umbral Energy Corp., which comprise the consolidated statements of financial position as at October 31, 2015 and 2014 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Umbral Energy Corp. as at October 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended 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 describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada *"Morgan & Company LLP"*

February 29, 2016 Chartered Professional Accountants

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Umbral Energy Corp.
Consolidated Statements of Financial Position
(Stated in Canadian Dollars)

	AS AT OCTOBER 31, 2015	2014
Assets		
Current		
Cash	$ **11,806**	$ 267,413
GST receivable	**5,432**	9,252
Prepaid expenses and deposits (Note 4)	**47,032**	7,803
Total Current Assets	**64,270**	284,468
Investment in joint venture and advances (Note 5)	**438,666**	-
Total Assets	$ **502,936**	$ **284,468**
Liabilities		
Current		
Accounts payable and accrued liabilities	$ **199,063**	$ 154,723
Provision for flow-through liability (Note 11)	**69,927**	69,927
Due to related parties (Note 9)	**110,090**	45,496
Total Liabilities	**379,080**	270,146
Equity		
Share Capital (Note 8)	**5,061,580**	3,860,082
Share-based Payment Reserve	**461,841**	373,579
Share subscriptions receivable (Note 8)	**(56,750)**	-
Deficit	**(5,342,815)**	(4,219,339)
Total Equity	**123,856**	14,322
Total Liabilities and Equity	$ **502,936**	$ 284,468

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the Board of Directors:

"Jagdip Bal"	*"Clint Sharples"*
Director	**Director**

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

Umbral Energy Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Stated in Canadian Dollars)

	YEARS ENDED OCTOBER 31 **2015**	2014
General and Administrative Expenses		
Consulting fees (Note 9)	**$ 225,865**	$ 308,966
Finders' fees (Note 5)	**27,500**	-
Management fees (Note 9)	**60,000**	67,500
Office expense and miscellaneous	**3,231**	1,069
Professional fees	**118,134**	47,653
Rent	**3,900**	7,800
Regulatory fees	**14,849**	22,938
Shareholder communications	**479**	10,198
Stock based compensation(Note 9)	**550,669**	195,538
Telephone	**1,833**	658
Transfer agent and shareholder information	**14,922**	12,413
Travel and promotion	**2,000**	568
Loss Before Other Expenses	**(1,023,382)**	(675,301)
Other Expenses		
Equity loss on investment in joint venture (Note 5)	**(100,094)**	-
Abandonment of oil and gas interest (Note 7)	**-**	(348,015)
Impairment of exploration and evaluation assets (Note 6)	**-**	(845,976)
Net Loss and Comprehensive Loss For The Year	**$ (1,123,476)**	$ (1,869,292)
Basic and Diluted Loss Per Share	**$ (0.02)**	$ (0.05)
Weighted Average Number Of Shares Outstanding	**44,637,372**	30,432,198

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

Umbral Energy Corp.
Consolidated Statements of Changes in Equity
(Stated in Canadian Dollars)

Years Ended October 31, 2015 and 2014

	SHARE CAPITAL		SHARE-BASED PAYMENT	SHARE SUBSCRIPTIONS		
	NUMBER	AMOUNT	RESERVE	RECEIVABLE	DEFICIT	TOTAL
Balance, October 31, 2013	24,552,972	$ 2,965,447	$ 321,020	$ -	$ (2,350,047)	$ 936,420
Issued shares for cash				-		
Non-brokered private placement	4,925,000	246,250	-	-	-	246,250
Share options exercised	3,475,000	355,512	(149,512)	-	-	206,000
Warrants exercised	4,950,000	313,781	-	-	-	313,781
Share issue costs	-	(14,375)	-	-	-	(14,375)
Issuance of broker warrants	-	(6,533)	6,533	-	-	-
Stock based compensation	-	-	195,538	-	-	195,538
Net loss for the year	-	-	-	-	(1,869,292)	(1,869,292)
Balance, October 31, 2014	37,902,972	3,860,082	373,579	-	(4,219,339)	14,322
Issued shares for cash				-		
Share options exercised	10,458,000	1,002,638	(462,407)	-	-	540,231
Warrants exercised	106,000	6,360	-	-	-	6,360
Share issued for acquisition	3,000,000	165,000	-	-	-	165,000
Shares issued for finders' fees	500,000	27,500		-		27,500
Stock based compensation	-	-	550,669	-	-	550,669
Share subscription receivable (Note 8)	-	-	-	(56,750)	-	(56,750)
Net loss for the year	-	-	-	-	(1,123,476)	(1,123,476)
Balance, October 31, 2015	**51,966,972**	**$ 5,061,580**	**$ 461,841**	**$ (56,750)**	**$ (5,342,815)**	**$ 123,856**

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

Umbral Energy Corp.
Consolidated Statements of Cash Flows
(Stated in Canadian Dollars)

	YEARS ENDED OCTOBER 31 2015	2014
Operating Activities		
Net loss for the year	**$ (1,123,476)**	$ (1,869,292)
Adjustments for non-cash expenses and income		
Loss on investment in joint venture	**100,094**	-
Shares issued for finders' fees	**27,500**	
Stock based compensation	**550,669**	195,538
Write-off of oil and gas interest	**-**	348,015
Write-off of exploration and evaluation assets	**-**	845,976
Changes in non-cash operating assets and liabilities		
GST receivable	**3,820**	(5,524)
Prepaid expenses	**(39,229)**	(7,173)
Due from related party	**-**	7,000
Accounts payable and accrued liabilities	**44,340**	2,361
Due to related parties	**64,594**	(3,704)
Cash Used In Operating Activities	**(371,688)**	(486,803)
Investing Activities		
Advances	**(244,260)**	-
Acquisition of investment in joint venture	**(129,500)**	-
Mineral property acquisition and exploration costs	**-**	(1,340)
Cash Used In Investing Activities	**(373,760)**	(1,340)
Financing Activities		
Share capital proceeds	**489,841**	766,031
Share issue costs	**-**	(14,375)
Cash Provided By Financing Activities	**489,841**	751,656
Change In Cash	**(255,607)**	263,513
Cash, Beginning Of Year	**267,413**	3,900
Cash, End Of Year	**$ 11,806**	$ 267,413
Supplementary Information		
Cash paid for interest	**$ -**	$ 500
Cash paid for income taxes	**$ -**	$ -

Non-cash Investing and Financing Transactions (Note 10)

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

1. Nature of Operations and Going Concern

The Company is a development stage public company whose common shares trade on the Canadian Securities Exchange under the symbol "UMB.C" The Company was incorporated on October 25, 2007 in British Columbia, Canada, under the Business Corporations Act and commenced operations on November 1, 2007. The head office and principal address of the Company is 929 Mainland Street, Vancouver, British Columbia, Canada V6C 2B3 and the registered and records office of the Company is located at Suite 1500-1055 West Georgia St., Vancouver, B.C., V6E 4N7.

The Company is engaged in the acquisition, exploration, and development of resource properties. However, the Company's principal activity is now to acquire a Health Canada license under the Marihuana for Medical Purposes Regulations ("MMPR") for the purpose of entering the medical marijuana industry.

Although the Company has started to invest resources for a medical marijuana business, there is no guarantee the Company will be awarded a license to grow medical marijuana. As the Company does not yet have cash flow from operations, it must rely on equity financing to fund operations. To date the Company's main source of funding has been the issuance of equity securities for cash, through private placements to sophisticated investors and through public offering to institutional investors. The Company has historically raised operating capital from the sale of equity, and will continue to do so.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses since inception, does not have positive operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore its mineral and oil and gas properties, develop its MMPR business plans and to cover general and administrative expenses necessary for the maintenance of a public company. The ability of the Company to arrange additional financing in the future depends in part, on the prevailing capital market conditions, resource property exploration success and its progress on obtaining an MMPR license. These factors may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in these consolidated financial statements.

2. Basis of Presentation

a) Statement of Compliance

The consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of these consolidated financial statements.

The consolidated financial statements were authorized for issue by the Board of Directors on February 29, 2016.

2. Basis of Presentation (Continued)

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value.

In the opinion of management, all adjustments (including normal recurring accruals), considered necessary for a fair presentation have been included.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

c) Critical Accounting Judgments and Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Information about critical accounting judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

i) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

ii) Flow-through Share Provision

Flow-through share provisions are comprised of the Company's various tax penalties and indemnification liabilities relating to the deficiencies in incurring the required amount of qualifying exploration expenditures related to past flow-through share issuances on a timely basis. The Company may also be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made exploration expenditures. Flow-through share provisions have been created based on internal estimates of the maximum penalties and indemnification liabilities the Company could be subject to.

2. Basis of Presentation (Continued)

c) Significant Accounting Judgments and Estimates (continued)

ii) Flow-through Share Provision (continued)

Assumptions, based on the current tax regulations, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 1005477 B.C. Ltd. and Umbral Energy LLC (Washington State). The financial statements of the subsidiaries are prepared using consistent accounting policies and reporting dates of the Company. All inter-company transactions and balances are eliminated on consolidation.

Investments in joint ventures are accounted for using the equity method. Under this method, the Company's share of the investment's earnings or losses is included in the statement of comprehensive loss and the carrying amount of the investment is adjusted by this amount.

b) Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change and have maturities of three months or less from the date of acquisition, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. The Company had no cash equivalents at October 31, 2015 and 2014.

c) Exploration and Evaluation Assets

<u>Pre-exploration costs</u>

Pre-exploration costs are expensed in the period in which they are incurred.

3. Significant Accounting Policies (Continued)

c) Exploration and Evaluation Assets (continued)

Exploration and evaluation costs

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized in addition to the acquisition costs. Exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Once the technical feasibility and commercial viability of extraction of the mineral resources has been determined, the property is considered to be a property under development and is reclassified as such. Accordingly, costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for prospects abandoned are written off.

On an annual basis or when impairment indicators arise, the Company evaluates the future recoverability of its exploration and evaluation costs. Impairment losses or write-downs are recorded in the event the carrying amount of such assets exceeds the recoverable amount indicated in the future cash flows attributable to such assets.

The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its exploration and evaluation assets and, to the best of its knowledge, the title to its properties is in good standing.

Mineral exploration tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mineral tax credits are earned in respect to exploration costs incurred in Quebec, Canada and are recorded as a reduction of the related deferred exploration expenditures.

Oil and gas properties

Pre-license costs are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, costs directly associated with an oil and gas exploration property are initially capitalized as oil and gas property intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, payments made to contractors and directly attributable overhead. Oil and gas property assets are not depleted and are carried forward until technical feasibility and commercial viability of extracting the natural gas resource is considered to be determined. The technical feasibility and commercial viability of extracting the natural gas resource is considered to be determined when proved reserves are determined to exist and the technology exists to extract the resource economically. Upon determination of technical feasibility and commercial viability, the oil and gas property assets are first tested for impairment at the aggregate major area level.

All such costs are subject to technical, commercial and management review as well as reviewed for indicators of impairment at each reporting period to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

3. Significant Accounting Policies (Continued)

d) Exploration and Evaluation Assets (continued)

Upon determination of technical feasibility and commercial viability, oil and gas properties are depleted on the unit-of-production method using estimated gross proven developed and undeveloped petroleum and natural gas reserves, determined annually by independent professional engineers. Assets may be excluded from depletion until capable of operating in the manner intended by management. Estimated future development costs necessary to bring the reserves into production are included in the depletion calculation. Estimated residual values are excluded from the depletion calculation.

Proved developed and undeveloped reserves represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon a reasonable assessment of the future economics of such production, a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production and there is evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Proceeds from the sale of oil and gas properties reduce capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion. Substantially, all oil and gas activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

e) Impairment of Non-financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. Each of the Company's exploration and evaluation properties is considered to be a cash-generating unit for which impairment testing is performed.

Where an indicator of impairment exists, an estimate of the recoverable amount is made. Determining the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Changes in circumstances may affect these estimates and the recoverable amount.

An impairment loss is recognized in the statement of operations, except to the extent they reverse gains previously recognized in other comprehensive income or loss.

3. Significant Accounting Policies (Continued)

f) Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

g) Income Taxes

Income tax expense is comprised of current and deferred tax. Current and deferred income tax is recognized in the statement of comprehensive loss except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income. Current income taxes are 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.

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the asset can be utilized.

At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred income tax assets and liabilities are presented as non-current.

f) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares, share warrants and flow-through shares are classified as equity instruments.

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Broker warrants are compensation warrants issued to the brokers involved in the Company’s financing efforts. Fair value is calculated at the grant date using the Black-Scholes option pricing model, with management’s assumptions. Share issue costs are netted against share proceeds.

3. Significant Accounting Policies (Continued)

g) Share-based Payments

Equity-settled share based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of shares that will eventually vest. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share based payments are reflected in share based payment reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share based payment reserves is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

h) Provisions

Decommissioning Liabilities

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset. The liability is progressively increased each period as the effect of the discounting unwinds, creating an expense recognition in the statement of comprehensive loss.

3. Significant Accounting Policies (Continued)

h) Provisions (continued)

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed at each reporting date for changes in regulatory requirements, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of comprehensive loss for the period. As at October 31, 2015 and 2014, the Company is not aware of any reclamation costs and no amounts have been recorded.

Provisions for Liabilities and Charges

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

i) Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding for the relevant year. Diluted loss per common shares is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. In a loss period, stock options and warrants are anti-dilutive.

j) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired.

Financial assets are classified into one of four categories: Financial assets at fair value through profit or loss ("FVTPL"), Held-to-maturity investments, available for sale ("AFS") financial assets and loans and receivable.

3. Significant Accounting Policies (Continued)

i) Financial Instruments (continued)

The Company has classified cash and cash equivalents and due from related party as loans and receivable.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of a trade receivable is reduced through the use of an allowance. 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.

Impairment losses on loans and receivables carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's financial liabilities include accounts payables and accrued liabilities and amounts due to related parties. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

j) Accounting Standards Issued But Not Yet Applied

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued which the Company reasonably expects to be applicable at a future date.

IFRS 9 Financial Instruments

IFRS 9, Financial instruments ("IFRS 9"), amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in Other Comprehensive Income ("OCI"), and guidance on financial liabilities and de-recognition of financial instruments. In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9. IFRS 9 is applicable for periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

(Stated in Canadian Dollars)

4. Prepaid Expenses and Deposits

Prepaid expenses and deposits includes a $25,000 refundable deposit relating to the following:

During the year, the Company entered into a letter of intent to acquire 90% interest in a Washington State limited liability company ("LLC"). The LLC is the sole owner of a Provisional Tier 3 recreational marijuana production and processing license application (the "License") which, once issued by the Washington State Liquor and Cannabis Board, shall allow the LLC to own and operate recreational marijuana production and processing facility.

Terms of the letter of intent require payment of US$250,000 cash and 1,000,000 common shares of Umbral Energy Corp. to the vendor as follows:

- US$25,000 cash paid upon signing to be held in escrow which is fully refundable if a definitive agreement is not executed as agreed by both parties (paid);
- US$100,000 cash paid and the issuance of 1,000,000 common shares to the vendor upon issuance of the License by the Washington State Liquor and Cannabis Board; and
- US$125,000 cash paid to the vendor upon completion of the first harvest or marijuana produced under the License.

5. Investment in Joint Venture and Advances

		2015		2014
Investment in joint venture	$	**194,406**	$	-
Advances to joint venture		**244,260**		-
	$	**438,666**	$	-

a) Investment in Joint Ventures

On December 9, 2014, the Company entered into a share exchange agreement for the acquisition of all the issued and outstanding shares of 1005477 B.C. Ltd., a holding company which owns 50% of the common shares of PhyeinMed Inc. ("PhyeinMed"), an operating company incorporated in British Columbia which has submitted an application to Health Canada for a Marihuana for Medical Purposes Regulations license. Management determined that the 50% interest in PhyeinMed is a joint venture under IFRS 11. Consequently, the investment in the joint venture is accounted for using the equity method. The consideration paid for the shares was as follows:

i. 3,000,000 common shares of the Company with a fair value of $165,000 measured on the date of issuance;
ii. $129,500 of verifiable expenses reimbursed to the vendor.

In connection with the transaction, the Company issued 500,000 common shares of the Company for finders' fees. The fair value of these shares was $27,500, measured on the date of issuance and has been recorded as finder's fees in the statement of comprehensive loss.

The continuity of this investment is as follows:

		2015		2014
Balance, beginning of the year	**$**	**-**	$	-
Acquisition costs - Cash		**129,500**		-
Acquisition costs - Shares		**165,000**		
Total Acquisition costs		**294,500**		
Equity loss on investment in joint venture		**(100,094)**		-
Balance, end of the year	**$**	**194,406**	$	-

(Stated in Canadian Dollars)

5. Investment in Joint Venture and Advances (Continued)

b) Advances

During the year ended October 31, 2015 the Company entered into a loan agreement whereby the Company will advance up to $2,000,000 to PhyeinMed for working capital purposes. The advances are unsecured and are due within 36 months from the date of the advance. The first $550,000 advanced does not accrue interest prior to 36 months from the date of the advance after which interest shall be accrued at prime plus 2%. All advances subsequent to the initial $550,000 will accrue interest at prime plus 2% from the date of the advance. PhyeinMed can only repay the initial $550,000 advanced as follows:

a) $25,000 once an application for a medical marihuana growing operation is awarded to PhyeinMed by Health Canada;
b) $150,000 once the final MMPR license is awarded to PhyeinMed by Health Canada;
c) $150,000 once PhyeinMed has achieved an accumulated EBITDA of $1,000,000; and
d) $225,000 once PhyeinMed has achieved an accumulated EBITDA of $2,000,000

6. Exploration and Evaluation Assets

		LETOURNEUR
Acquisition Costs:		
Balance, October 31, 2013	$	35,000
Exploration Costs:		
Balance, beginning of year		809,636
Claim renewal fees		1,340
Write off		(845,976)
Total Acquisition and Exploration Costs, October 31, 2014 and 2015	**$**	**-**

Letourneur Property

Pursuant to an option agreement dated April 20, 2010, the Company was granted an option to acquire an undivided 75% interest in the Letourneur gold property by making cash payments in the amount of $35,000 (paid) to the vendor and by spending $250,000 (incurred) on the property over two years. The Company had the right of first refusal to meet any offer on the remaining 25% interest. The original agreement consisted of mineral claims covering approximately 658 hectares located in the Abitibi greenstone belt in northwestern Quebec.

The Option also provides a “carry along” provision, wherein the Optionor is bound by the same terms and conditions as the Company, should the Company decide to sell, transfer or assign its earned interest in the property once the Company has earned its 75% interest. There was no Net Smelter Royalty in the original Option Agreement. Additional claims or approximately 2,546.49 hectares contiguous to the Property were staked during the years ended October 31, 2010 and 2011 and are subject to the terms of the Option Agreement. On September 8, 2011, the Company acquired the remaining 25% interest in the Letourneur gold project in consideration for granting the vendor a net smelter royalty (“NSR”) of 2%. The Company may repurchase up to half (1%) of the NSR for $1,000,000.

During the year ended October 31, 2014, the Company allowed certain claims to lapse and wrote off its interest in the property in the amount of $845,976. As at October 31, 2015, the Company has several claims in good standing.

(Stated in Canadian Dollars)

7. Oil and Gas Interest

	LITTLE BOW PROSPECT
Balance, October 31, 2013	$ 312,709
Drilling and casing	-
Geophysical consulting	17,188
Travel	-
Decommissioning costs	18,118
Write off	(348,015)
Balance, October 31, 2014 and 2015	$ -

On February 26, 2013, the Company entered into a farmout agreement to earn a 25% interest in an exploration test well located in southern Alberta, Canada. The 25% interest is subject to a 10% non-convertible no deductions gross overriding royalty and crown royalty obligations as it relates to the test well only. Pursuant to the terms of the agreement, the Company will pay 37.5% of all costs and expenses associated with the test well to earn 25% of all revenue. Further participation in the area of interest will be on the basis of 37.5% to earn 37.5%.

During the year ended October 31, 2014, the Company wrote off its interest in the well and recorded an impairment loss of $348,015. An accrual for decommissioning costs of $18,118 was included in the impairment loss. During the year ended October 31, 2015, the rights expired and the well was abandoned.

8. Share Capital and Reserve

a) Authorized

Unlimited number of common shares without par value

b) Issued

<u>Year ended October 31, 2015:</u>

The Company issued 10,458,000 common shares for the exercise of 10,458,000 stock options between $0.05 and $0.06 per share for total proceeds of $540,231 which resulted in a transfer from share-based payment reserve to share capital of $462,407.The Company issued 106,000 common shares for the exercise of 106,000 warrants at $0.06 per share for total proceeds of $6,360.

The Company issued 3,000,000 common shares with a fair value of $165,000 measured on the date of issuance in accordance with the share exchange agreement dated December 9, 2014 included in the acquisition costs for all the issued and outstanding shares of 1005477 B.C. Ltd (Note 4). The Company also issued 500,000 common shares with a fair value of $27,500 measured on the date of issuance for finders' fees.

(Stated in Canadian Dollars)

8. Share Capital and Reserve (Continued)

b) Issued (continued)

Year ended October 31, 2014:

The Company completed a non-brokered private placement of a total of 4,925,000 units for gross proceeds of $246,250. Each unit consists of one common share and one non-transferable common share purchase warrant entitling the holder to purchase one additional share at $0.06 per share for five years. A cash finder's fee of $14,375 was paid. The Company also issued 287,500 brokers' warrants exercisable at $0.06 per warrant for a period of five years from closing. The brokers' warrants were valued at $6,533, using a Black Scholes option pricing model using the following assumptions: weighted average risk free interest rate of 1.57%, volatility factor of 120%, and an expected life of 5 years.

The Company issued 3,475,000 common shares for the exercise of 3,475,000 stock options at prices ranging between $0.05 and $0.09 per share for total proceeds of $206,000 which resulted in a transfer from contributed surplus to share capital of $149,512.

The Company issued 4,950,000 common shares for the exercise of 4,950,000 warrants at prices of $0.06 and $0.10 per share for total proceeds of $313,781

c) Warrants

The following is a summary of the changes in warrants:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, October 31, 2013	14,792,900	$0.08
Issued	5,212,500	0.06
Expired	(1,314,000)	0.28
Exercised	(4,950,000)	0.06
Balance, October 31, 2014	13,741,400	$0.06
Exercised	(106,000)	0.06
Balance, October 31, 2015	**13,635,400**	**$0.06**

The following table summarizes the warrants outstanding and exercisable at October 31, 2015:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
8,480,136	$0.06	March 19, 2018
922,966	$0.10	March 19, 2018
1,075,989	$0.06	May 16, 2018
293,809	$0.10	May 16, 2018
2,862,500	$0.06	December 20, 2018
13,635,400		

As at October 31, 2015, the weighted average remaining contractual life of all warrants outstanding was 2.56 years (2014 – 3.56 years).

(Stated in Canadian Dollars)

8. Share Capital and Reserve (Continued)

d) Stock Options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Canadian Stock Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options will be exercisable for a period to be determined by the board of Directors, but not exceeding 10 years.

In connection with the foregoing, the number of common shares reserved for issuance to any technical consultant will not exceed two percent (2%) of the issued and outstanding common shares in any twelve month period. The number of common shares reserved for issuance to individuals providing investor relation services will not exceed two percent (2%) of issued and outstanding common shares in any twelve month period. Further, these options must vest over twelve months with a maximum of one quarter of the options vesting in any three month period. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

During the year ended October 31, 2015, stock based compensation in the amount of $220,888 (2014 – $195,538) was recognized on the issuance of stock options to directors, officers and consultants.

The continuity of options for the years ended October 31, 2015 and 2014 is summarized below:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, October 31, 2013	1,500,000	$0.05
Issued	4,250,000	0.05
Exercised	(3,475,000)	0.05
Balance, October 31, 2014	2,275,000	$0.06
Issued	12,100,000	0.05
Exercised	(10,458,000)	0.05
Expired	(367,000)	0.05
Balance, October 31, 2015	**3,550,000**	**$0.05**

The following table summarizes the options outstanding and exercisable at October 31, 2015:

NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE
150,000	$0.05	May 29, 2018
450,000	$0.05	January 10, 2019
200,000	$0.05	June 17, 2020
2,750,000	$0.055	September 15, 2020
3,550,000		

As at October 31, 2015, the weighted average remaining contractual life of all options outstanding was 4.56 years (2014 – 4.53 years).

(Stated in Canadian Dollars)

8. Share Capital and Reserve (Continued)

d) Stock Options (continued)

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted using the following assumptions:

	2015	2014
Dividend yield	**Nil**	Nil
Annualized volatility	**130 - 186%**	111 - 127%
Risk-free interest rate	**0.60% - 1.19%**	1.51% - 1.81%
Expected life	**5 years**	5 years

e) Loss Per Share

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. The basic and diluted loss per share are the same as there are no instruments that have a dilutive effect.

	YEARS ENDED OCTOBER 31,	
	2015	2014
Issued shares at beginning of year	**37,902,972**	24,552,972
Weighted average issuances	**6,734,400**	5,879,226
Basic weighted average common shares	**44,637,372**	30,432,198

f) Nature and Purpose of Reserve

The 'Share-based Payment Reserve' is used to recognize the fair value of stock option grants and warrants prior to exercise, expiry or cancellation.

g) Share Subscriptions Receivable

Subsequent to year end, the Company received $56,750 relating to the share subscriptions receivable.

9. Related Party Transactions

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

a) Related party transactions with directors and companies with a director in common.

		2015		2014
Management fees	$	**60,000**	$	67,500
Consulting fees	$	**-**	$	61,486

b) Advances payable

		2015		2014
Advances from directors are unsecured, non-interest bearing and is repayable on demand	$	**110,090**	$	45,496

(Stated in Canadian Dollars)

9. Related Party Transactions (Continued)

c) Management compensation

		2015		2014
Short-term employee benefits	$	**60,000**	$	67,500
Share-based payments	$	**220,888**	$	88,158

10. Non-Cash Investing and Financing Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

Year ended October 31, 2015:

$462,407 was transferred from share based payment reserves to share capital as a result of the exercise of 10,458,000 stock options.

The Company issued 3,000,000 common shares of the Company with a fair value of $165,000 on the date of issuance included in the acquisition costs of 1005477 B.C. Ltd., a holding company which owns 50% of PhyeinMed Inc., an operating company which has submitted an application to Health Canada for a Marihuana for Medical Purposes Regulations License.

Year ended October 31, 2014:

The Company issued 287,500 brokers' warrants with a fair value of $6,533 (Note 5).

$149,512 was transferred from share based payment reserves to share capital as a result of the exercise of 3,475,000 options.

$35,306 in additions to oil and gas interest were included in accounts payable as at year-end.

11. Income Taxes

The Company's provision for income taxes for the years ended October 31, 2014 and 2013 differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates to the loss as a result of the following:

		2015		2014
Statutory rates		**26%**		26%
Income tax recovery at statutory rate	**$**	**(279,000)**	$	(486,000)
Effect of change in tax rate		**-**		-
Non-deductible permanent differences		**143,000**		51,000
Share issuance costs		**-**		(4,000)
Income tax benefits not recognized and other		**136,000**		439,000
Provision for income taxes	**$**	**-**	$	-

(Stated in Canadian Dollars)

11. Income Taxes (Continued)

The tax effects of temporary timing differences that give rise to significant components of the deferred tax assets were as follows:

	2015	2014
Deferred tax assets (liabilities)		
Non-capital loss carry forward	**$ 622,000**	$ 491,000
Investment in associate	**13,000**	
Share issuance costs	**8,000**	17,000
Resource deductions	**252,000**	252,000
	895,000	760,000
Less: Tax assets not recognized	**(895,000)**	(760,000)
Net deferred income taxes	**$ -**	$ -

The Company has accumulated non-capital losses for Canadian tax purposes of approximately $2,392,000 which may be carried forward and used to reduce taxable income in future years. The accumulated non-capital losses expire as follows:

2028	$ 81,000
2029	148,000
2030	247,000
2031	267,000
2032	187,000
2033	422,000
2034	536,000
2035	504,000
	$ 2,392,000

The Company has cumulative Canadian exploration and development expenses in the amount of approximately $970,000, which can be carried forward indefinitely. No benefit has been recognized in respect of these amounts.

The Company is permitted, under Canadian income tax legislation, to renounce flow-through related resource expenditures to investors in advance of the Company incurring the expenditure. In accordance with this legislation, the Company has twelve months following the effective date of renunciation to incur the expenditures. The Company begins incurring interest charges for unspent funds after one month and fees for unspent funds at the end of the calendar year following the effective date of renunciation, and until such time as funds are fully expended.

The Company has estimated the potential shareholder liability in the amount of $69,927 as at October 31, 2015 and 2014. To estimate the potential indemnification liability, management used a combined tax rate of 38% of unspent flow-through funds raised. The accrued amounts are subject to measurement uncertainty due to the tax filing positions of the subscribers, their tax rates and the amount of personal taxes that may be payable and the interpretation of the indemnity agreements, which will not be known until potentially affected subscribers are reassessed for their tax positions by the Canada Revenue Agency and these amounts become known to the Company.

As at October 31, 2015 the Company's accounts payable and accrued liabilities includes a liability for $13,728 (2014 - $16,728) in Part XII.6 taxes.

12. Financial Instruments and Risk Management

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and process for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and are comprised of foreign currency risk and interest rate risk.

b) Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

c) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash equivalents is limited because of the short-term nature of the investments.

d) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of cash and cash equivalents. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company considers this risk to be minimal.

e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections.

If future cash flows are fairly uncertain, the liquidity risk increases. The Company manages liquidity risk through the management of its capital structure (Note 6). Accounts payable and accrued liabilities and promissory notes are due within the current operating year.

(Stated in Canadian Dollars)

12. Financial Instruments and Risk Management (Continued)

e) Liquidity Risk (continued)

As at October 31, 2015, the Company had a working capital deficiency of $234,716 (2014 – $14,322 surplus). The Company does not currently operate any producing properties and as such, may be dependent upon issuance of new equity to advance its exploration properties. If equity financing is required, failure to obtain financing on a timely basis may cause the Company to postpone exploration plans, reduce or terminate its operations.

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The financial position carrying amounts for cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and promissory notes payable approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The Company's financial instruments are classified into the following categories:

		October 31, 2015		October 31, 2014	
	Level	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Cash	1	**$ 11,806**	**$ 11,806**	$ 267,413	$ 267,413

13. Management of Capital Risk

The Company manages its cash and cash equivalents, common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

Management considers its approach to capital management approach to be appropriate given the relative size of the Company. There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.