WORLD MAHJONG LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2017

(Expressed in Canadian dollars)

NOTICE TO READER

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

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

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

WORLD MAHJONG LIMITED

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2017 AND DECEMBER 31, 2016

(Expressed in Canadian Dollars)

	Note	March 31, 2017	December 31, 2016
		$	$
ASSETS			
Current			
Cash		1,117	1,710
Amounts receivable		14,629	12,689
Total assets		15,746	14,399
LIABILITIES			
Current			
Accounts payable	7	383,331	294,257
Accrued liabilities		11,194	11,194
		394,525	305,451
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	8	4,201,943	4,201,943
Share-based payment reserve	8	3,534,245	3,534,245
Deficit		(8,114,967)	(8,027,240)
		(378,779)	(291,052)
Total liabilities and shareholders' equity		15,746	14,399

Nature of operations and going concern (Note 1)

Approved on behalf of the Board and authorized for issuance on May 30, 2017:

"William Thomas"
Director

"Myrick Hatch"
Director

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

WORLD MAHJONG LIMITED

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)

	Note	Three months ended March 31, 2017	Three months ended March 31, 2016
		$	$
EXPENSES			
Consulting fees		49,611	14,667
Management fees	7	31,000	16,000
Marketing and promotion costs		-	498
Office expenses		67	605
Professional fees		4,000	3,077
Regulatory fees		2,471	1,500
Transfer agent and filing fees		1,807	3,246
Travel		-	3,161
		(88,956)	(42,754)
NET LOSS BEFORE OTHER ITEMS			
Foreign exchange gain		1,229	-
Loss on abandonment of subsidiaries	6	-	(2,017,737)
NET AND COMPREHENSIVE LOSS		(87,727)	(2,060,491)
LOSS PER SHARE – BASIC AND DILUTED		(0.00)	(0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		82,195,775	82,195,775

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

WORLD MAHJONG LIMITED

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)

	Common Shares					
	Shares	**Amount**	**Share-based payment reserve**	**Foreign currency translation reserve**	**Deficit**	**Total**
		$	$	$	$	$
As at December 31, 2015	**82,195,775**	**4,201,943**	**3,534,245**	**(1,571,357)**	**(5,607,434)**	**557,397**
Foreign currency translation adjustment	-	-	-	1,571,357	-	1,571,357
Net loss for the period	-	-	-	-	(2,060,491)	(2,060,491)
As at March 31, 2016	**82,195,775**	**4,201,943**	**3,534,245**	**-**	**(7,667,925)**	**68,263**
Net loss for the period	-	-	-	-	(359,315)	(359,315)
As at December 31, 2016	**82,195,775**	**4,201,943**	**3,534,245**	**-**	**(8,027,240)**	**(291,052)**
Net loss for the period	-	-	-	-	(87,727)	(87,727)
As at March 31, 2017	**82,195,775**	**4,201,943**	**3,534,245**	**-**	**(8,114,967)**	**(378,779)**

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

WORLD MAHJONG LIMITED

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)

	Three months ended March 31, 2017	**Three months ended March 31, 2016**
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(87,727)	(2,060,491)
Items not affecting cash:		
Loss on abandonment of subsidiaries	-	2,017,737
	(87,727)	(42,754)
Changes in non-cash working capital items:		
Amounts receivable	(1,940)	(6,511)
Prepaid expenses	-	4,597
Accounts payable and accrued liabilities	89,074	(2,079)
	(593)	(46,747)
INVESTING ACTIVITY		
Derecognition of cash on abandonment	-	(363,800)
CHANGE IN CASH	(593)	(410,547)
CASH, BEGINNING	1,710	541,210
CASH, ENDING	1,117	130,663

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

1. NATURE OF OPERATIONS AND GOING CONCERN

World Mahjong Limited (the "Company") was incorporated in the Province of British Columbia on May 11, 1981. The Company's principal business activity is the development of mahjong tournaments throughout the Asia Pacific region. The Company's registered office is located at 1780 – 400 Burrard Street, Vancouver, British Columbia, Canada V6C 3A6. The Company is listed on the Canadian Securities Exchange ("CSE").

These condensed interim financial statements are prepared on a 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 for the foreseeable future and that management does not intend to liquidate the Company or to cease trading, or has no realistic alternative but to do so. As at March 31, 2017, the Company had a working capital deficiency of $378,779 and has accumulated losses since its inception of $8,114,967, which has been funded primarily by the issuance of shares and loans from related parties. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PREPARATION

Statement of compliance – These condensed interim financial statements are prepared in accordance with International Accounting Standards 34, Interim Financial Reporting of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"). The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2016.

Basis of consolidation – Consolidated financial statements include the assets, liabilities and results of operations of all entities controlled by the Company. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.

During the year ended December 31, 2016, the Company abandoned its 100% owned subsidiaries Silverdale Ventures (BVI) Limited ("Silverdale") and World's Competition Events Management Ltd. ("WCEM") as it lost its ability to control the subsidiaries. As a result, the Company's consolidated financial statements only include the accounts of the Company and its wholly-owned subsidiary, Croydon Holdings (BVI) Limited ("Croydon"), a British Virgin Islands company. Croydon was inactive during the three months ended March 31, 2017 and 2016.

During the three months ended March 31, 2016, the Company recorded a loss on abandonment of $2,017,737 on write-off of the assets and liabilities of Silverdale and WCEM from their carrying amounts (Note 6).

3. SIGNIFICANT ACCOUNTING POLICIES

Measurement basis - These consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Cash and cash equivalents - The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

Foreign currency translation - The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of Croydon Holdings (BVI) Limited is Canadian. The functional currency of Silverdale and WCEM is the US dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates.

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date. 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 profit or loss.

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Revenue recognition - The Company's revenue consists of licensing its trademarked "World Series of Mahjong" name for use in regional mahjong tournaments and fees earned from marketing and promoting these licensed regional tournaments.

Revenue associated with marketing and promoting is recognized by reference to the stage of completion of the transaction at the end of the reporting period when the outcome of rendering these services can be estimated reliably. The outcome of a transaction can be estimated reliably when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue associated with licensing the Company's trademark is recognized when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably and collection is reasonably ensured.

During the year end December 31, 2016, the Company abandoned Silverdale and WCEM. As a result, the Company lost the exclusive right to use the "World Series of Mahjong" trademark, which was owned by WCEM.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and designated upon inception as at FVTPL or other financial liabilities.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary which are recognized in earnings.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and convertible loans and interest payable to related party are classified as other financial liabilities. No financial liabilities are classified as FVTPL.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

Share-based payments - The fair value of employee options is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. Share options granted to non-employees or consultants are measured at the fair value of goods or services received. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Income taxes - Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.
Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Loss per share - The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Provisions - Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share issue costs - Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

Investments – The Company accounts for its investments in companies over which it has significant influence using the equity basis of accounting whereby the investments are initially recorded at cost and subsequently adjusted to recognize the Company's share of earnings or losses of the investee companies and reduced by dividends received. The excess of the cost of equity investments over the underlying book value at the date of acquisition, except for goodwill, is amortized over the estimated useful lives of the underlying assets to which it is attributed. The Company had no investments in companies over which it had significant influence for the three months ended March 31, 2017 and 2016.

The Company accounts for its other investments as available-for-sale at their fair values unless the investment securities do not have quoted market prices in an active market, in which case the Company uses the cost basis of accounting whereby investments are initially recorded at cost and earnings from such investments are recognized only to the extent received or receivable. The cost of investments sold or amounts reclassified out of other comprehensive income into earnings are determined on a specific identification basis.

Unless there is an other than temporary decline in the value of an available-for-sale investment, carrying values for available-for-sale investments are adjusted to estimated fair values with such adjustment being included in the Statements of Comprehensive Loss as a component of other comprehensive income. When there is an other than temporary decline in the value of the investment, the carrying values of investments accounted for using the equity, available-for-sale and cost methods are reduced to estimated fair values with such reduction being included in the Statements of Comprehensive Loss as Other expense, net.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgments - The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. Significant areas requiring the use of management estimates and judgment include, but not limited to, the following:

i) Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are provided in the notes regarding financial assets and liabilities.

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective or assessments with a significant risk of material adjustment in the next year. Significant areas requiring critical accounting judgements include, but not limited to, the following:

ii) Income taxes

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and comprehensive loss.

iii) Going concern

The assessment of the Company's ability to continue as a going concern involves management judgement about the Company's resources and future prospects.

iv) Determination of functional currency

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company is the Canadian dollar whereas the functional currency of the subsidiaries, other than inactive Croydon, is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"). Significant changes to those underlying factors could cause a change to the functional currency. The Company assessed the impact of this to be low for the three months ended March 31, 2017 and 2016 as the subsidiaries with a functional currency of the United States dollar were abandoned during the year ended December 31, 2016.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

IFRS 9 – *Financial Instruments* - In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments* that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. IFRS 9 was subsequently amended in November 2013 to add new general hedge accounting requirements. The final version of IFRS 9 was issued in July 2014 and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

The extent of the impact of adoption of this standard and interpretations on the financial statements of the Company has not been determined.

5. AMALGAMATION AGREEMENT

On June 10, 2015, the Company entered into an Amalgamation Agreement (the “Agreement”) with World Mahjong Limited (“WML”), incorporated on March 23, 2005 under the laws of the British Virgin Islands.

Pursuant to the Agreement, the following principle steps were completed on November 13, 2015:

- WML amalgamated with Silverdale, a wholly-owned subsidiary of the Company, to create an operating subsidiary.
- The Company issued an aggregate of 68,024,999 common shares of the Company to the former shareholders of WML.

Concurrent to the amalgamation, WML raised $1,795,355 (US$1,437,500) by issuing 27,724,999 common shares.

Upon the Agreement becoming effective on November 13, 2015, the Company became a reporting issuer in the jurisdictions of British Columbia and Ontario, with its shares listed on the CSE.

As a result of the Agreement, the former shareholders of WML acquired control of the Company. The amalgamation has been accounted for as a reverse acquisition that was not a business combination. WML was deemed to be the acquirer for accounting purposes, its assets and liabilities and operations since incorporation on March 23, 2005 are included in the consolidated financing statements at their historical carrying value. The consolidated financing statements are a continuation of WML. The Company’s results of operations are included from November 13, 2015 to December 31, 2015 (Note 6).

(Expressed in Canadian Dollars)

6. ABANDONMENT OF SUBSIDIARIES

During the year ended December 31, 2016, the Company abandoned two wholly-owned subsidiaries: Silverdale and WCEM. As a result, the Company lost the exclusive right to use the "World Series of Mahjong" trademark, which was owned by WCEM. For the year ended December 31, 2015, the Company accounted for its investments in Silverdale and WCEM on a consolidated basis (Note 5).

The abandonment of these subsidiaries during the year ended December 31, 2016, resulted in a loss on abandonment of assets and liabilities of $2,017,737 summarized as follows:

Asset or Liabilities Abandoned	
	$
Cash	363,800
Prepaid expenses	9,245
Advances to a related party	275,024
Investment in subsidiaries	541,250
Accounts payable and accrued liabilities	(742,939)
Foreign currency translation reserve	1,571,357
Total	2,017,737

7. RELATED PARTY TRANSACTIONS

Included in accounts payable as at March 31, 2017 is $31,500 (December 31, 2016 - $15,750) payable to the CEO and CFO of the Company for management fees. The amount is non-interest bearing, unsecured and due on demand.

Included in accounts payable as at March 31, 2017 is $33,850 (December 31, 2016 - $17,050) payable to a former CFO and a director of the Company for management fees. The amount is non-interest bearing, unsecured and due on demand.

The Company considers its executive officers and directors to be key management personnel. The Company incurred the following amounts to related parties during the respective years for key management personnel compensation:

	Three months ended March 31, 2017	**Three months ended March 31, 2016**
	$	$
Management fees	31,000	16,000
	31,000	16,000

(Expressed in Canadian Dollars)

8. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Stock options

The following table summarizes stock option activity during the three months ended March 31, 2017 and the year ended December 31, 2016:

	March 31, 2017		**December 31, 2016**	
	Number of options	Exercise price	Number of options	Exercise price
Outstanding and exercisable, opening	4,500,000	$0.45	4,500,000	$0.45
Options granted	-	-	-	-
Outstanding and exercisable, closing	4,500,000	$0.45	4,500,000	$0.45

The weighted average price and life of options outstanding at March 31, 2017 was $0.45 and 1.68 years (December 31, 2016 - $0.45 and 1.93 years) respectively.

On December 7, 2015, the Company granted 4,500,000 stock options to consultants, directors and officers of the Company which have an exercise price of $0.45 and expire December 7, 2018. These stock options vested 100% on the grant date. The fair value ascribed to the options was determined to be $1,494,765 using the Black-Scholes Option Pricing Model, using the following assumptions: risk-free rate of 0.67%; expected dividend yield of 0.00%; expected option life of 3.00 years; expected stock price volatility of 128.85%; and expected forfeiture rate of 0.00%.

Black-Scholes Option Pricing Model requires the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

c) Warrants

The following table summarizes warrants activity during the three months ended March 31, 2017 and the year ended December 31, 2016:

	March 31, 2017		**December 31, 2016**	
	Number of warrants	Exercise price	Number of warrants	Exercise price
Outstanding and exercisable, opening	199,950	$0.45	199,950	$0.45
Warrants issued	-	-	-	-
Warrants forfeited	-	-	-	-
Outstanding and exercisable, closing	199,950	$0.45	199,950	$0.45

The weighted average price and life of warrants outstanding at March 31, 2017 was $0.45 and 0.69 years (December 31, 2016 - $0.45 and 0.94 years) respectively.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

d) Escrow Shares

As at March 31, 2017, there were 21,229,480 (December 31, 2016 – 21,229,480) shares in escrow.

e) Reserves

Share-based payment reserves records items recognized as share-based payment expenses until such time that the stock options and warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Foreign currency translation reserve recognizes the foreign exchange differences resulting from translation of group entities to the presentation currency that have a different functional currency than the presentation currency.

9. FINANCIAL INSTRUMENTS

Financial instruments are classified into one of the following categories: fair value through profit or loss, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

Financial instruments	Category	**As at March 31, 2017**	**As at December 31, 2016**
		$	$
Cash	Loans and receivables	1,117	1,710
Accounts payable	Other liabilities	383,331	294,257

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

9. FINANCIAL INSTRUMENTS (continued)

The recorded amounts for advances to related party and accounts payables approximate their fair values due to their short-term nature and based on market rates of interest for similar instruments. As at March 31, 2017, the Company does not have any financial assets or financial liabilities recorded at their fair values on a recurring basis presented on its statement of financial position.

The Company's financial instruments are exposed to a number of risks that are summarized below:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. As at March 31, 2017, the Company had $1,117 of financial assets that may subject to credit risk defaults. The Company believes credit risk to be insignificant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its accounts payable. The Company manages its liquidity risk through the management of its capital structure as described in Note 10. The Company's accounts payable have contractual maturities of 30 days or are due on demand, do not generally bear interest and are subject to normal trade terms. The Company believes liquidity risk to be high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as fair value through profit or loss, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. During the three months ended March 31, 2017 and the year ended December 31, 2016, the Company did not conduct material transactions in currencies other than its functional currency. As a result, foreign exchange risk is assessed as low.

10. CAPITAL MANAGEMENT

The Company's capital structure consists of all components of shareholders' equity and convertible loans. The Company's objective when managing capital is to maintain adequate levels of funding to support the daily operations and maintain the necessary corporate and administrative functions to facilitate the upcoming activities. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

11. SUBSEQUENT EVENTS

On May 12 the Company Consolidated its shares on the basis of 10 old shares for 1 new share, consequently at May 30, 2017, 8,219,577 common shares were issued and outstanding. Further, on May 24, 2017 the Company entered into agreements to settle outstanding debt totalling approximately $500,000 through the issuance of units consisting of one common share with a deemed price of $0.055 per share and one share purchase warrant with an exercise price of $0.07 per share.