ESSEX ANGEL CAPITAL INC.

Financial Statements

Years ended August 31, 2014 and 2013

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED ACCOUNTANTS LLP
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Essex Angel Capital Inc.

We have audited the balance sheets of Essex Angel Capital Inc. as at August 31, 2014 and 2013, and the statements of operations, comprehensive loss, deficit, and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Essex Angel Capital Inc. as at August 31, 2014 and 2013 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Essex Angel Capital Inc. to continue as a going concern.

Saturna Group LLP

Saturna Group Chartered Accountants LLP

Vancouver, Canada

December 22, 2014

ESSEX ANGEL CAPITAL INC.
Balance sheets
As at August 31, 2014 and 2013
(Expressed in Canadian dollars)

	2014 $	2013 $
Assets		
Current assets		
Cash and cash equivalents	265,090	53,706
Prepaid expenses	5,968	4,050
Total current assets	271,058	57,756
Investments (Note 3)	298,245	820,979
Total assets	569,303	878,735
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 5(a))	64,372	220,872
Total current liabilities	64,372	220,872
Note payable (Note 4)	150,000	–
Total liabilities	214,372	220,872
Shareholders' equity		
Share capital (Note 6)	3,574,942	3,086,964
Contributed surplus (Note 7)	647,632	592,210
Deficit	(3,867,643)	(3,021,311)
Shareholders' equity	354,931	657,863
Total liabilities and shareholders' equity	569,303	878,735

Nature of operations and continuance of business (Note 1)
Subsequent event (Note 13)

Approved for issuance on behalf of the Board on December 22, 2014:

/s/ David Berg	*/s/ David McAdam*
David Berg, Director	David McAdam, Director

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

ESSEX ANGEL CAPITAL INC.

Statements of operations, comprehensive loss, and deficit
Years ended August 31, 2014 and 2013
(Expressed in Canadian dollars)

	2014 $	2013 $
Revenue	–	–
Expenses		
Director and management compensation (Note 5)	309,833	216,984
Filing fees	17,240	18,738
General and administrative expenses (Note 5)	36,866	92,984
Professional fees	80,740	195,095
Total expenses	444,679	523,801
Loss before other income (expense)	(444,679)	(523,801)
Other income (expense)		
Adjustments to fair value of investments (Note 3)	(326,474)	(590,957)
Interest expense	(12,165)	–
Loss on settlement of debt (Note 5(f))	(70,653)	–
Unrealized foreign exchange gain	7,639	13,738
Total other income (expense)	(401,653)	(577,219)
Net loss and comprehensive loss for the year	(846,332)	(1,101,020)
Deficit, beginning of year	(3,021,311)	(1,920,291)
Deficit, end of year	(3,867,643)	(3,021,311)
Loss per share, basic and diluted	(0.11)	(0.52)
Weighted average number of shares outstanding	8,009,758	2,128,562

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

ESSEX ANGEL CAPITAL INC.
Statements of cash flows
Years ended August 31, 2013 and 2012
(Expressed in Canadian dollars)

	2014 $	2013 $
Operating activities		
Net loss for the year	(846,332)	(1,101,020)
Items not involving cash:		
Adjustments to fair value of investments	326,474	590,957
Loss on settlement of debt	70,653	–
Unrealized foreign exchange gain	(7,639)	(13,738)
Changes in non-cash operating working capital:		
Prepaid expenses	(1,918)	10,130
Accounts payable and accrued liabilities	186,796	64,441
Net cash used in operating activities	(271,966)	(449,230)
Investing activities		
Acquisition of investments	(60,050)	–
Net cash used in investing activities	(60,050)	–
Financing activities		
Proceeds from issuance of shares	600,250	404,329
Share issuance costs	(56,850)	(23,216)
Net cash provided by financing activities	543,400	381,113
Increase (decrease) in cash and cash equivalents	211,384	(68,117)
Cash and cash equivalents, beginning of year	53,706	121,823
Cash and cash equivalents, end of year	265,090	53,706
Cash and cash equivalents is comprised of:		
Cash held in bank	1,397	3,706
Cash held in legal trust account	263,693	50,000
	265,090	53,706
Non-cash investing and financing activities:		
Fair value of investment units issued for settlement of debt	413,949	–
Fair value of shares received for sale of investment	–	834,126
Fair value of share purchase warrants issued as finders' fees	55,422	6,166
Issuance of note payable for acquisition of investments	150,000	–
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

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

1. Nature of Operations and Continuance of Business

Essex Angel Capital Inc. (the "Company") was incorporated on February 10, 2010 pursuant to the Canada Business Corporations Act. The Company completed its initial public offering ("IPO") on December 7, 2010, and is listed on the TSX-V as a Tier 2 Investment Issuer under the symbol "EXC". The Company's stated business goal is to build a portfolio of investments, with a view to participating in income and capital growth from the ultimate sale or other disposal of those investments.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at August 31, 2014, the Company has an accumulated deficit of $3,867,643. As the Company does not have recurring revenue streams, its ability to continue to meet its obligations as they fall due depends on the Company's ability to raise funds from the issue of common shares or debt of the Company. The Company is taking specific steps to raise such funds or secure such cash flows but as of the date of approval of the financial statements there is material uncertainty related to the above. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. The Company is an investment company as defined in Accounting Guideline 18 "Investment Companies" ("AcG-18"). Accordingly, it is not required to adopt International Financial Reporting Standards ("IFRS") until its first financial year beginning on or after January 1, 2014. Until such date, management anticipates that the Company will continue to prepare its financial statements in accordance with the requirements of Canadian generally accepted accounting principles. The Company has received elective exemption from the Ontario Securities Commission (its principal regulators) from the requirement to adopt the provisions of relevant National Instruments also relating to the adoption of IFRS.

Management has not identified any changes to Canadian generally accepted accounting principles which are expected to affect the reported results or financial position of the Company, or which will need to be adopted, prior to the transition to IFRS.

(b) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes to the financial statements. The Company regularly evaluates estimates and assumptions related to the valuation of investments, fair value of stock-based compensation, and future income tax asset valuation allowances. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

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

2. Significant accounting policies *(continued)*

(d) Income Taxes

The Company accounts for income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

(e) Revenue Recognition

As an investment company, the Company may earn revenue in the form of interest or dividends which derive from its investments or from cash on hand. Investment income includes interest, dividends, and realized gains on the sale of investments.

(f) Financial Instruments

The Company classifies all financial instruments as either held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instruments classification. Held-for-trading instruments are measured at fair value with unrealized gains and losses recognized in results of operations. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

The Company has classified its cash and cash equivalents and investments as held-for-trading and accounts payable and accrued liabilities as other financial liabilities. The Company has elected to account for transaction costs related to the issuance of financial instruments not classified as held-for-trading as a reduction of the carrying value of the related financial instruments.

(g) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at transaction date rates. Revenue and expenses are translated at average rates for the period. Foreign exchange gains and losses are included in the results of operations.

(h) Basic and Diluted Net Loss Per Share

The loss per share figures is calculated using the weighted average number of common shares outstanding during the respective fiscal periods. The treasury stock method is used for the calculation of diluted loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. As the Company has recorded a loss in each of the periods presented, basic and diluted loss per share are the same.

(i) Comprehensive Loss

Section 1530 establishes standards for the reporting and display of comprehensive income. The Company does not have any items representing comprehensive income or loss.

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(j) Stock-based Compensation

The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". When stock or stock options are issued to employees, compensation expense is recognized based on the fair value of the stock or stock options issued on the date of grant, over the vesting period of the stock or stock options. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. On the exercise of stock options, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

(k) Future changes in accounting standards

In February 2008, the AcSB confirmed that public companies will be required to prepare interim and annual consolidated financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. For investment companies qualifying under AcG-18, implementation of IFRS is required for fiscal periods commencing January 1, 2014. As the Company qualifies under AcG-18, the Company's transition date to IFRS is September 1, 2014 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2014. Management has assessed the effects of the adoption of IFRS is not expected to have a significant effect on the Company's financial statements.

3. Investments

	Wellness Indicators Inc. $	Zivo Bioscience Inc. $	3 Gyros Inc. $	Total $
Balance, August 31, 2012	887,130	–	511,068	1,398,198
Acquisition	–	834,126	–	834,126
Adjustments to fair value	(53,004)	(26,885)	(511,068)	(590,957)
Disposition	(834,126)	–	–	(834,126)
Foreign exchange adjustments	–	13,738	–	13,738
Balance, August 31, 2013	–	820,979	–	820,979

	Zivo Bioscience Inc. $	Microcoal Technologies Inc. $	LED Medical Diagnostics Inc. $	Valparaiso Energy Inc. $	SPT Sulphur Polymer Technologies Inc. $	Total $
Balance, August 31, 2013	820,979	–	–	–	–	820,979
Acquisition	–	100,000	50,000	25,050	35,000	210,050
Adjustments to fair value	(317,992)	(18,000)	8,266	1,252	–	(326,474)
Disposition	(413,949)	–	–	–	–	(413,949)
Foreign exchange	7,639	–	–	–	–	7,639
Balance, August 31, 2014	96,677	82,000	58,266	26,302	35,000	298,245

3. Investments (continued)

The Company's investments are comprised of the following debt and equity instruments:

(a) Wellness Indicators Inc.

Until August 19, 2013, the Company held US$1,350,000 of subordinated secured convertible debentures of Wellness Indicators Inc. ("Wellness"), acquired between July 2011 and April 2012, maturing on dates through July 2015, and bearing interest at rates of 6.0% or 8.0%.

On April 18, 2013, the Company exercised its rights to realize upon its senior security interest in the assets and property of Wellness (the "Collateral") and undertook foreclosure proceedings. On August 19, 2013, the Company was able to secure the Collateral pursuant to its security interest that it shared pro rata with certain other minority senior lenders of Wellness. Immediately upon foreclosure, the Company sold the Collateral to Zivo Bioscience Inc. ("Zivo"), a health and wellness company quoted on the OTC Bulletin Board, in exchange for 1,792,315 common shares of HEPI, with a fair value of $834,126. The Company recognized a loss on the disposition of Wellness of $53,004.

(b) Zivo Bioscience Inc. ("Zivo") (formerly Health Enhancement Products Inc.)

On August 19, 2013, the Company acquired 1,792,315 common shares of Zivo with a fair value of $834,126 as part of the settlement and sale of assets and property of Wellness (refer to Note 3(a)).

On December 20, 2013, the Company entered into five debt settlement agreements with related parties resulting in the Company distributing 1,107,409 common shares of Zivo to settle amounts outstanding of $343,296. These common shares had a fair value of $413,949 based on the end of day share price on the date of the settlements, resulting in the Company recording a loss on settlement of debt of $70,653.

As at August 31, 2014, the fair value of the Company's investment in Zivo was $96,677 based on the end of day share price.

(c) 3 Gyros Inc.

As at August 31, 2013, the Company held $500,000 (2012 - $500,000) of 2.0% secured subordinated debentures, acquired pursuant to the Qualifying Transaction, of which $250,000 mature on July 15, 2014 and $250,000 mature on July 15, 2015. Furthermore, the Company held warrants, received pursuant to the Qualifying Transaction, to acquire an agreement amount of common shares of 3Gyros equal to 37% of the fully diluted share capital of 3Gyros in exchange for nominal consideration at any date up to July 15, 2019.

During the year ended August 31, 2013, the Company determined that 3Gyros was not meeting its production or sales targets. Management does not have adequate information to determine whether the Company's debt may be recoverable from expected future cash flows of 3Gyros, or there is any value to the warrants held in 3Gyros. There is also material uncertainty as to the extent to which the investment may be recoverable from the net proceeds of sale of the assets of 3Gyros, should the Company exercise its rights under the security provisions of the loan. On July 29, 2013, the Company served 3Gyros with notice that 3Gyros was in breach of key terms of the loan agreement, and demanding immediate repayment of the loan in accordance with the terms of said agreement, but has not received a satisfactory response. During the year ended August 31, 2013, the Company recorded an impairment loss of $511,068 on its investment in 3Gyros.

(d) Microcoal Technologies Inc.

On November 8, 2013, the Company acquired 400,000 common shares of Microcoal Technologies Inc. for consideration of $100,000, which was settled with the issuance of a note payable. Refer to Note 4. At August 31, 2014, the fair value of the Company's investment in Microcoal was $82,000 based on the end of day share price.

3. Investments (continued)

(e) LED Medical Diagnostics Inc.

On November 8, 2013, the Company acquired 200,000 share purchase warrants of LED Medical Diagnostics Inc. ("LED Medical") for consideration of $50,000, which was settled with the issuance of a note payable. Refer to Note 4. Each warrant may be exercised at a price of $0.20 for one whole common share of LED Medical until June 20, 2015.

As at August 31, 2014, the fair value of the Company's investment in LED Medical was $58,266, calculated using the Black Scholes pricing model using the following assumptions: expected life of 0.8 years, expected volatility of 77%, and a risk-free interest rate of 1.00%

(f) Valparaiso Technologies Inc.

On February 19, 2014, the Company acquired a convertible debenture of Valparaiso Technologies Inc. ("Valparaiso") for proceeds of $25,050. On March 18, 2014, the Company exercised its right to convert the debenture into 751,500 common shares of Valparaiso.

As at August 31, 2014, the fair value of the Company's investment in Valparaiso was $26,302 based on the end of day share price.

(g) SPT Sulphur Polymer Technologies Inc.

On August 19, 2014, the Company acquired 1,750,000 common shares in SPT Sulphur Polymer Technologies Inc. ("SPT Sulphur") for proceeds of $35,000. SPT Sulphur is currently waiting for listing approval on the Canadian Securities Exchange.

4. Note Payable

On November 8, 2013, the Company issued a note payable for $150,000 to acquire 400,000 common shares of Microcoal Technologies Inc. with a fair value of $100,000 and 200,000 share purchase warrants of LED Medical with a fair value of $50,000. Refer to Notes 3(d) and (e). The note is unsecured, bears interest at 10% per annum, and is due on November 8, 2018. In the event that the Company sells a portion of the investment before the maturity date, the portion of the principal related to the investment sold shall be immediately due and payable. As at August 31, 2014, the Company has accrued $12,165 of interest payable which has been recorded in accounts payable and accrued liabilities.

5. Related Party Transactions

(a) During the year ended August 31, 2014, the Company incurred director and management compensation of $151,150 (2013 - $107,544) to the former President of the Company. The Company also incurred administrative expenses of $nil (2013 - $12,132 (US$12,000)) to the former President of the Company. As at August 31, 2014, accounts payable and accrued liabilities includes $nil (2013 - $9,126) owing to the former President of the Company, which is non-interest bearing, unsecured, and due on demand.

(b) During the year ended August 31, 2014, the Company incurred director and management compensation of $86,533 (2013 - $45,200) to the former Chief Financial Officer of the Company. As at August 31, 2014, accounts payable and accrued liabilities includes $300 (2013 - $40,200) owing to the former Chief Financial Officer of the Company, which is non-interest bearing, unsecured, and due on demand.

(c) During the year ended August 31, 2014, the Company incurred director and management compensation of $39,900 (2013 - $54,240) to the former Chief Operating Officer of the Company. As at August 31, 2014, accounts payable and accrued liabilities includes $nil (2013 - $95,880) owing to the former Chief Operating Officer of the Company, which is non-interest bearing, unsecured, and due on demand.

(Expressed in Canadian dollars)

5. Related Party Transactions (continued)

(d) During the year ended August 31, 2013, the Company incurred director and management compensation of $16,125 (2013 – $5,000) to a former director of the Company. As at August 31, 2014, accounts payable and accrued liabilities includes $nil (2013 - $5,000) owing to a former director of the Company, which is non-interest bearing, unsecured, and due on demand.

(e) During the year ended August 31, 2013, the Company incurred director and management compensation of $16,125 (2013 – $5,000) to a former director of the Company. As at August 31, 2013, accounts payable and accrued liabilities includes $nil (2013 - $5,000) owing to a former director of the Company, which is non-interest bearing, unsecured, and due on demand.

(f) During the year ended August 31, 2014, the Company settled amounts owing to directors and management of $343,296 with the transfer of 1,107,408 common shares in Zivo Bioscience Inc. Refer to Note 3(b). On the date of settlement, these shares had a fair value of $413,949, based on the end of day share price, resulting in the Company recording a loss on settlement of debt of $70,653.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount agreed upon by the transacting parties.

6. Share Capital

Authorized: Unlimited common shares without par value

	Number of shares	$
Balance, August 31, 2012	1,985,000	2,712,017
Shares issued pursuant to private placements	850,000	404,329
Share issuance costs	–	(29,382)
Balance, August 31, 2013	2,835,000	3,086,964
Shares issued pursuant to private placements	8,003,333	600,250
Share issuance costs	–	(112,272)
Balance, August 31, 2014	10,838,333	3,574,942

Share transactions for the year ended August 31, 2014:

(a) On January 7, 2014, the Company effected a consolidation of its common shares on the basis of one new common share for every twenty old common shares. The effect of the share consolidation decreased the number of issued and outstanding common shares from 56,700,000 common shares to 2,835,000 common shares and all share amounts have been retroactively restated for all periods presented.

(b) On January 7, 2014, the Company issued 8,003,333 units at a price of $0.075 per unit for gross proceeds of $600,250. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share at a price of $0.10 per share expiring on January 7, 2017. The Company paid finders' fees of $56,850 and issued 758,000 finders' fee warrants with a fair value of $55,422 in connection with the private placement. Each finders' fee warrant is exercisable into one common share at a price of $0.10 per share expiring on January 7, 2017.

Share transactions for the year ended August 31, 2013:

(c) On March 25, 2013, the Company issued 200,000 units at a price of $1.02 per unit for gross proceeds of $204,329. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share at a price of $2.00 per share expiring on September 15, 2014.

(Expressed in Canadian dollars)

6. Share Capital (continued)

(d) On April 19, 2013, the Company issued 150,000 units at a price of $1.00 per unit for gross proceeds of $150,000. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share at a price of $2.00 per share expiring on October 19, 2014.

(e) In connection with the March 25, 2013 and the April 19, 2013 private placements, the Company paid $18,216 in share issuance costs.

(f) On August 30, 2013, the Company issued 500,000 units at a price of $0.10 per unit for gross proceeds of $50,000. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share at the price of $1.00 per share expiring on August 30, 2014. The Company paid finders' fees of $5,000 and issued 50,000 finders' fee warrants with a fair value of $6,166 in connection with the private placement. Each finders' fee warrant is exercisable into one common share at a price of $1.00 per share expiring on August 30, 2014.

Escrowed Shares

Pursuant to an escrow agreement dated July 28, 2010, 170,000 common shares, being all the issued and outstanding common shares prior to the completion of the IPO, were deposited in escrow. Under the terms of the escrow agreement, 17,000 common shares were released following the final acceptance of the Qualifying Transaction on July 19, 2011, and 25,500 of the escrowed common shares were released on each of January 20, 2012, July 20, 2012, January 20, 2013, July 20, 2013, January 20, 2014 and July 20, 2014. As at August 31, 2014, nil (2013 – 1,020,000) common shares are held in escrow.

7. Contributed Surplus

	$
Balance, August 31, 2012	586,044
Fair value of warrants issued as share issuance costs	6,166
Balance, August 31, 2013	592,210
Fair value of warrants issued as share issuance costs	55,422
Balance, August 31, 2014	647,632

8. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Outstanding, August 31, 2012	655,000	2.00
Issued	900,000	1.40
Expired	(136,500)	2.00
Outstanding, August 31, 2013	1,418,500	1.60
Issued	8,761,333	0.10
Expired	(1,068,500)	1.49
Outstanding, August 31, 2014	9,111,333	0.17

(Expressed in Canadian dollars)

8. Share Purchase Warrants (continued)

As at August 31, 2014, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
200,000	2.00	September 15, 2014
150,000	2.00	October 18, 2015
8,761,333	0.10	January 7, 2017
9,111,333		

The Company has issued share purchase warrants to purchasers of units of the Company under private placements or to brokers and agents as part of their compensations relating to various issuances of share capital. The fair values of warrants granted for finders' fees have been estimated using the Black-Scholes pricing model assuming no expected dividends and the following weighted average assumptions:

	2014	2013
Risk-free interest rate	1.35%	2.18%
Expected life (in years)	3.00	1.0
Expected volatility	126%	260%

The weighted average fair value of finders' fee warrants granted during the year ended August 31, 2014 was $0.07 (2013 - $0.12) per warrant. The fair value of finders' fee warrants granted during the year ended August 31, 2014 was $55,422 (2013 - $6,166), which was charged against share capital and recorded as contributed surplus.

9. Stock Options

The Company has adopted an incentive stock option plan in accordance with policies of TSX-V (the "Stock Option Plan") whereby the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed 10% of the issued and outstanding common shares exercisable for the period of up to ten years. In addition, the number of common shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed 2% of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee, and consultant and all other terms and conditions of the option, subject to the rules of the TSX-V.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price $
Outstanding, August 31, 2012 and 2013	198,500	2.00
Forfeited	(104,243)	2.00
Outstanding, August 31, 2014	94,257	2.00

9. Stock Options (continued)

Additional information regarding stock options outstanding as at August 31, 2014 is as follows:

	Outstanding and exercisable		
Range of exercise prices $	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $
2.00	94,257	7.0	2.00

10. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's balance sheet as at August 31, 2014 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, August 31, 2014 $
Cash and cash equivalents	265,090	–	–	265,090
Investments	204,979	93,266	–	298,245
	470,069	93,266	–	563,335

The fair values of other financial instruments which include accounts payable and accrued liabilities and note payable approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and investments. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate

The Company operates in Canada, but held an investment valued at $96,677 in a US-based company denominated in US dollars. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies. A 10% change in the exchange rate would change the Canadian dollar value of these assets by approximately $9,600.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

(d) Interest Rate Risk

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

(e) Market Risk

The Company's investments in Zivo, Microcoal, and Valparaiso are in the form of publicly traded shares and the investment in LED Medical is in the form of share purchase warrants of a publicly traded company, of which the market values may fluctuate.

(Expressed in Canadian dollars)

10. Financial Instruments and Risks (continued)

(f) Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Management maintains sufficient cash and cash equivalents to satisfy short-term liabilities in highly liquid investments.

11. Capital Management

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

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged from the year ended August 31, 2013.

12. Income Taxes

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

	2014 $	2013 $
Canadian statutory income tax rate	26.5%	26.5%
Income tax recovery at statutory rate	(224,278)	(291,770)
Tax effect of:		
Permanent differences and other	6,872	471
Share issuance costs	(15,065)	(24,711)
Change in enacted tax rates	–	19,369
Change in valuation allowance	232,471	296,641
Future income tax recovery	–	–

The significant components of future income tax assets and liabilities are as follows:

	2014 $	2013 $
Future income tax assets		
Non-capital losses carried forward	916,366	748,818
Capital losses carried forward	22,801	–
Share issuance costs	40,305	52,964
Fair value adjustments on investments	58,303	3,484
Other	501	539
Total gross future income tax assets	1,038,276	805,805
Valuation allowance	(1,038,276)	(805,805)
Net future income tax asset	–	–

(Expressed in Canadian dollars)

12. Income Taxes (continued)

As at August 31, 2014, the Company has capital losses carried forward of $172,081 and non-capital losses carried forward of $3,458,000, which are available to offset future years' taxable income. The non-capital losses expire as follows:

	$
2031	551,000
2032	597,000
2033	1,678,000
2034	632,000
	3,458,000

13. Subsequent Event

On November 27, 2014, the Company and a former officer of the Company were served with litigation regarding an alleged breach of contract that commenced in 2011 against Zivo Bioscience Inc. (formerly Health Enhancement Products Inc.), an investment of the Company, as part of a counterclaim seeking damages. The Company has retained legal counsel and intends to vigorously defend its position and feels that the claims have no merit. As such, no accrual has been recorded on the Company's financial statements.