



CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended December 31, 2016 and 2015



May 1, 2017

Independent Auditor's Report

To the Shareholders of EastCoal Inc.

We have audited the accompanying consolidated financial statements of EastCoal Inc. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of comprehensive income/loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of EastCoal Inc. as at December 31, 2016 and December 31, 2015 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 conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(all tabular amounts in thousands of Canadian dollars)

| | December 31, 2016 | December 31, 2015 |
|-------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 3 | \$ 13 |
| Other receivables | 1 | 4 |
| TOTAL ASSETS | \$ 4 | \$ 17 |
| LIABILITIES | | |
| Current | | |
| Trade and other payables | \$ 188 | \$ 103 |
| Borrowings (Note 6) | 200 | 200 |
| TOTAL LIABILITIES | 388 | 303 |
| EQUITY | | |
| Share capital (Note 7) | 89,934 | 89,934 |
| Contributed surplus | 9,969 | 9,969 |
| Deficit | (100,287) | (100,189) |
| TOTAL EQUITY | (384) | (286) |
| TOTAL LIABILITIES AND EQUITY | \$ 4 | \$ 17 |

Corporate information and going concern (Note 1)

On behalf of the Board:

(signed) Abraham Jonker

Director

(signed) Hendrik Dietrichsen

Director

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



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/LOSS – For the years ended December 31
(all tabular amounts in thousands of Canadian dollars)

| | 2016 | 2015 |
|---|------------------|------------------|
| Expenses | | |
| General and administrative expenses | (68) | (92) |
| | (68) | (92) |
| Finance expense (Note 6) | (30) | (24) |
| Net interest expense | (30) | (24) |
| Comprehensive loss for the year | \$ (98) | \$ (116) |
| Net loss per common share - basic and diluted | \$ (0.00) | \$ (0.00) |
| Weighted average number of common shares outstanding | | |
| Basic and diluted | 156,080,471 | 156,080,471 |

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



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY – For the years ended December 31, 2016 & 2015
(all tabular amounts in thousands of Canadian dollars)

| | Number of shares (in thousands) | Share capital | Contributed surplus | Deficit | Total Equity |
|------------------------------------|---------------------------------------|------------------|------------------------|---------------------|-----------------|
| Balance – January 1, 2015 | 156,080 | \$ 89,934 | \$ 9,969 | \$ (100,073) | \$ (170) |
| Net loss for the year | - | - | - | (116) | (116) |
| Balance – December 31, 2015 | 156,080 | \$ 89,934 | \$ 9,969 | \$ (100,189) | \$ (286) |
| Balance – January 1, 2016 | 156,080 | \$ 89,934 | \$ 9,969 | \$ (100,189) | \$ (286) |
| Net loss for the year | - | - | - | (98) | (98) |
| Balance – December 31, 2016 | 156,080 | \$ 89,934 | \$ 9,969 | \$ (100,287) | \$ (384) |

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



CONSOLIDATED STATEMENTS OF CASH FLOWS – For the years ended December 31
(all tabular amounts in thousands of Canadian dollars)

| | 2016 | 2015 |
|--|-------------|-------------|
| OPERATING ACTIVITIES | | |
| Loss for the year | \$ (98) | \$ (116) |
| Add items not affecting cash | | |
| Non-cash interest expense | 30 | 24 |
| | (68) | (92) |
| Changes in non-cash working capital balances related to operations | | |
| Trade and other receivables | 3 | (3) |
| Trade and other payables | 55 | (1) |
| Cash used in by operating activities | (10) | (96) |
| INVESTING ACTIVITIES | | |
| Return of reclamation bonds | - | 7 |
| Cash provided by (used) in investing activities | - | 7 |
| Net decrease in cash and cash equivalents for the year | (10) | (89) |
| Cash and cash equivalents, beginning of year | 13 | 102 |
| Cash and cash equivalents, end of year | 3 | 13 |

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

1 Corporate information and going concern

EastCoal Inc. (the "Company") was incorporated on December 15, 1986 under the laws of the Province of British Columbia, Canada. Its principal business activity is the acquisition and development of mineral properties and its registered address is 20th floor, 250 Howe Street, Vancouver, British Columbia, Canada, V6C 3R8 and its head office is located at Suite 300, 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9.

Following the Company's filing on a Notice of Intention to Make a Proposal ("Notice of Intention") pursuant to the provisions of Part III of the Bankruptcy and Insolvency Act (the "BIA") in November 2013, the Company sold all of its coal assets, which were held through its Ukrainian subsidiaries, in January 2014. On January 16, 2014 the Supreme Court of British Columbia issued a court order approving the Company's application for the sale of East Coal LLC ("East Coal Company"), Ukraine Energy LLC ("Ukraine Energy"), and Inter-Invest LLC ("Inter-Invest"). East Coal Company was sold for an aggregate cash consideration of US\$499,000, Ukraine Energy was sold for an aggregate cash consideration of US\$1,000, and Inter-Invest was sold for an aggregate cash consideration of US\$15,020. The sale of East Coal Company, Ukraine Energy and Inter-Invest was completed on February 26, 2014.

The sale of East Coal Company also provided for a royalty interest to be earned by the Company equal to US\$1.00 per tonne of coal produced at the Verticalnaya mine from the profits of East Coal Company. Management has assessed the value of the royalty at \$nil since the future coal production and the mine profitability is unknown and uncertain.

In connection with its restructuring proceedings under the BIA the Company filed a proposal to its creditors (the "Proposal") on April 10, 2014.

The resolution (the "Resolution") approving the Proposal pursuant to the BIA was approved by the requisite majority of creditors at the meeting of creditors held on April 22, 2014.

On May 20, 2014, the proposal trustee, Deloitte Restructuring Inc (the "Proposal Trustee") and the Company were granted an order from the Supreme Court of British Columbia approving the Proposal and the associated transactions identified below (the "Transactions").

On August 25, 2014 the Proposal Trustee issued the Company with a certificate of full performance of the proposal which certified that the Proposal had been fully performed.

In connection with the implementation of the Proposal, the Company effected a share consolidation (the "Consolidation") of its issued and outstanding common shares (the "Common Shares"). The Consolidation was on a ratio of ten (10) pre-consolidation Common Shares to one (1) post-consolidation Common Share, consolidating the Company's 72,804,853 Common Shares to 7,280,485 Common Shares following the Consolidation.

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For the years ended December 31, 2016 and 2015

(all tabular amounts in thousands of Canadian dollars except per share figures and unless otherwise noted)

In connection with the implementation of the Proposal the Company also entered into conditional share subscription agreements with a group of investors which were subject to the completion of the Proposal. Such investors acquired, on a private placement basis, approximately 95% (or 148,800,000 common shares on a post-consolidated basis) of the Company's issued and outstanding share capital at a subscription price of \$0.005 per share for total aggregate proceeds of \$744,000.

Following the Consolidation and the closing of the subsequent private placement, the Company had 156,080,471 common shares issued and outstanding.

A portion of the proceeds from the private placement, being \$450,000, was used to fund a payment to proven unsecured creditors in accordance with the terms of the Proposal. As agreed with the Company's sole secured creditor, the Company's indebtedness to such creditor was extended for one year subject to certain loan conversion rights being granted to the creditor. The secured creditor further extended the repayment date until May 31, 2017 (Note 6).

The Company has experienced recurring operating losses and has accumulated a deficit of \$100,286,569 at December 31, 2016. For the year ended December 31, 2016 the Company derived revenue of \$nil and used cash in operating activities totalling \$10,061. The Company had cash of \$2,833 and a working capital deficit of \$383,634 at December 31, 2016. Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year.

The Company's continued operation is dependent upon its ability to raise additional funding and/or to agree an extension of the director's loan account. Although the directors believe that the Company should be able to secure future fundraising as required and/or to agree an extension of the director's loan, there are no assurances that the Company will be successful in achieving this goal. As a result, there are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will realize on its assets and discharge its liabilities in the normal course of operations, and do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2 Basis of presentation

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies in all periods presented.

These financial statements were approved by the board of directors for issue on May 1, 2017.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

3.1 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

3.2 Consolidation

The financial statements of the Company consolidate the accounts of EastCoal Inc. and its 100% wholly owned subsidiary Gramsico Holdings Ltd. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The principal subsidiaries of the Company and their geographic locations at December 31, 2016 were as follows:

| | Incorporation | Percentage of ownership |
|-----------------------|---------------|-------------------------|
| Gramsico Holdings Ltd | Cyprus | 100% |

3.3 Foreign currency translation

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, EastCoal Inc., and Cypriot subsidiary, Gramsico Holdings Ltd, is the Canadian dollar.

3.4 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 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 instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of cash and cash equivalents and trade receivables and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(ii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade and other payables and borrowings. Trade and other payables and borrowings are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables and borrowings to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

3.5 Capital stock

The Company has one class of shares, common shares, which are classified as equity. These are recorded at the proceeds received less any direct issue costs and related taxes.

Where the Company purchases any of the Company's equity share capital, the consideration paid is deducted from equity attributable to the Company's equity holders until shares are cancelled, reissued or disposed of.

3.6 Stock options

The Company grants stock options to certain employees, directors and contractors. Stock options vest over various periods and expire after five years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with the impact of any changes being recognized immediately.

3.7 Income taxes

Current income tax represents the expected income tax payable (or recoverable) on taxable income for the period using income tax rates enacted or substantially enacted at the end of the reporting period and taking into account any adjustments arising from prior years.

The Company uses the liability method of accounting for income taxes under which deferred tax assets and liabilities are recognized when there are differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted or enacted tax rates in effect in the period in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current on the consolidated statement of financial position.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings. All items recognized directly in shareholders' equity are recognized net of tax.

3.8 Loss per share

Loss per share is computed based on the weighted average basic number of shares outstanding for the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares are comprised of stock options granted to employees, directors and consultants, and warrants.

4 Significant accounting judgments and estimation uncertainties

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

5 Recent Accounting Pronouncements

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

i. IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments ("IFRS 9") which will replace IAS 39, Financial Instruments ("IAS 39"). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition and measurement of financial instruments with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management. The Company is assessing IFRS 9's impact on its financial statements and has not yet determined the impact.

ii. IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided that IFRS 15 is also adopted. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and liability calculated using a prescribed methodology. The Company is assessing IFRS 16's impact on its financial statements and has not yet determined the impact.

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(all tabular amounts in thousands of Canadian dollars except per share figures and unless otherwise noted)

6 Borrowings

| | December 31, 2016 | December 31, 2015 |
|--------------------|----------------------|----------------------|
| Related party loan | 200 | 200 |
| | \$ 200 | \$ 200 |

On November 28, 2012 three of the Company's directors agreed to provide bridge financing to the Company for general working capital. The loans amounted to \$600,000 in aggregate (with each director lending \$200,000) with a term of 12 months. The loans bore an interest rate of 12.0% per annum compounded annually payable at the time that the principal becomes due and payable.

In order to secure the performance of the Company's obligations to the lenders under the loan agreement, the Company executed general security agreements, pursuant to which the Company granted to the lenders security interests in all present and future undertaking and property, both real and personal located in the province of British Columbia, of the Company, as described in the general security agreement.

On June 13, 2014 the Company entered into a supplemental loan agreement with the remaining lender which extended the maturity date of the loan to May 31, 2015. The maturity date was further extended by the remaining lender until May 31, 2017.

Between November 28, 2012 and May 31, 2016 the remaining lender agreed to waive his right to annual compound interest which resulted in interest being calculated on a simple basis. Effective June 1, 2016 interest is now being calculated on a compound basis in accordance with the terms of the original loan agreement, to be compounded annually at December 31 each year. The combined principal plus interest owing at May 31, 2016 was \$284,164.

Accrued interest of \$104,157 relating to the outstanding director's loan is included in trade and other payables at December 31, 2016.

7 Share capital

7.1 Share issue

As at December 31, 2016 the Company had 156,080,471 common shares issued and outstanding.

7.2 Stock options

The Company has established a stock option plan (the “Plan”) to provide incentives to employees, directors, officers, and consultants to carry out the business of the Company. The Board of Directors may grant up to a total of 250,092 options to employees, directors, officers, and consultants. The maximum term of any option is ten years. The exercise price of an option is fixed at the time of grant and is not less than the closing price on the TSX-V on the last trading day preceding the grant date, less any discounts permitted by the TSX-V.

At December 31, 2016, a total of 26,500 options had been granted to directors, officers, employees and consultants under the Plan, and were outstanding as summarized below:

| | December 31, 2016 | | December 31, 2015 | |
|----------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| Opening balance | 49,000 | \$ 55.00 | 61,000 | \$ 50.00 |
| Granted | - | - | - | - |
| Expired | (22,500) | 70.00 | (12,000) | 30.00 |
| Ending balance | 26,500 | \$ 42.36 | 49,000 | \$ 55.00 |
| Options exercisable | 26,500 | \$ 42.36 | 49,000 | \$ 55.00 |

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(all tabular amounts in thousands of Canadian dollars except per share figures and unless otherwise noted)

All stock options have exercise prices that are higher or equal to market prices at the date of grant.

| Expiry Date | Number Outstanding | Number Exercisable |
|--------------------|-------------------------------|-------------------------------|
| January 19, 2017 | 1,500 | 1,500 |
| May 31, 2017 | 25,000 | 25,000 |
| | 26,500 | 26,500 |

8 Related party transactions

As at December 31, 2016, \$304,157 was payable to a director of which \$200,000 is included in borrowings and \$104,157 in trade and other payables. Interest of \$29,987 relating to the outstanding balance was accrued during the year ended December 31, 2016 and is included in the total amount payable to the director.

Additional short term loans were provided to the Company in the year ended December 31, 2016 by various directors, shareholders and officers and are included in trade and other payables. The loans are interest free and repayable on demand. As at December 31, 2016 the Company owed \$30,714 to Abraham (Braam) Jonker, \$4,000 to John Conlon, \$2,000 to Tom English and \$1,313 to Damien Forer.

These transactions were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

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For the years ended December 31, 2016 and 2015

(all tabular amounts in thousands of Canadian dollars except per share figures and unless otherwise noted)

9 Income tax

The tax on the Company's profit before tax differs from the amount that would arise using the combined Canadian federal and provincial income tax rate of 26.00% (2015 – 26.00%) to loss before income taxes as follows:

| | For the years ended | |
|---|----------------------|----------------------|
| | December 31, 2016 | December 31, 2015 |
| Income/(loss) before tax | (98) | (116) |
| Statutory rate | 26.00% | 26.00% |
| Income tax expense/(recovery) computed at statutory rates | (25) | (30) |
| Tax effects of: | | |
| Change in estimates | (1,176) | (301) |
| Movement in deferred tax not recognized | 1,201 | 331 |
| Tax expense (recovery) | \$ - | - |

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | December 31, 2016 | December 31, 2015 |
|---|----------------------|----------------------|
| Deferred tax assets: | | |
| - To be recovered after more than 12 months | 9,495 | 8,294 |
| - To be recovered within 12 months | - | - |
| Deferred tax assets not recognized | (9,495) | (8,294) |
| Deferred tax liabilities: | | |
| - To be recovered after more than 12 months | - | - |
| - To be recovered within 12 months | - | - |
| Deferred tax liabilities (net) | \$ - | \$ - |

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(all tabular amounts in thousands of Canadian dollars except per share figures and unless otherwise noted)

| | December 31, 2016 | December 31, 2015 |
|---|----------------------|----------------------|
| Deferred tax assets: | | |
| - Non capital losses carried forward | 2,531 | 2,886 |
| - Capital losses carried forward | 5,958 | 4,084 |
| - Mineral properties | 1,006 | 1,324 |
| Deferred tax assets not recognized | (9,495) | (8,294) |
| Deferred tax liabilities (net) | \$ - | \$ - |

The movement of the deferred income tax account is as follows:

| | December 31, 2016 | December 31, 2015 |
|--|----------------------|----------------------|
| At January 1 | - | - |
| Charge to the income statement | - | - |
| Business Combination | - | - |
| Change due to foreign exchange rate fluctuations | - | - |
| At December 31 | \$ - | \$ - |

At December 31, 2016, the Company had \$9,735,331 of Canadian federal net operating loss carry forwards (2015 - \$11,100,328). These loss carry forwards expire at various dates between 2029 and 2036.

10 Financial risk factors

The Company's financial instruments are exposed to certain financial risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

10.1 Credit and Interest rate risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash.

10.2 Fair value

The Company's financial assets and liabilities consist of cash and cash equivalents, other receivables, trade and other payables and borrowings. The estimated fair values of cash, accounts payable and accrued liabilities, and borrowings approximate their respective carrying values.

10.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at December 31, 2016 the Company was unable to meet its financial obligations and there is a material risk that the Company will not be able to meet its existing and future financial obligations. See note 1 for further information.

11 Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares.