

Phoenix Canada Oil Company Limited

Consolidated Financial Statements

December 31, 2017 and 2016

Independent Auditors' Report

To the Shareholders of Phoenix Canada Oil Company Limited:

We have audited the accompanying consolidated financial statements of Phoenix Canada Oil Company Limited, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Phoenix Canada Oil Company Limited as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Mississauga, Ontario
April 26, 2018

Phoenix Canada Oil Company Limited

Consolidated Statements of Financial Position

As at December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash	\$ 3,845,094	\$ 2,685,813
Short-term investments (note 4)	5,527,198	5,750,720
Other receivables	26,112	29,276
	9,398,404	8,465,809
Long-term investments (note 4)	-	741,599
Interest in oil and gas properties (note 5)	1	1
	\$ 9,398,405	\$ 9,207,409
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 199,452	\$ 136,621
Equity		
Share capital (note 7)	4,423,202	4,423,202
Warrants (note 7)	36,196	36,196
Contributed surplus (note 8)	431,897	401,594
Accumulated other comprehensive income	1,955,028	2,236,791
Retained earnings	2,352,630	1,973,005
	9,198,953	9,070,788
	\$ 9,398,405	\$ 9,207,409

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

Approved by the Board:

Signed: "Charles Burns"

Director

Signed: "Charlotte Moore Hepburn"

Director

Phoenix Canada Oil Company Limited

Consolidated Statements of Changes in Equity

for the years ended December 31, 2017 and 2016

	Share Capital			Contributed	Accumulated Other Comprehensive	Retained	Total
	Number of Shares	Paid up Amount	Warrants	Surplus	Income	Earnings	
Balance, December 31, 2015	4,686,694	\$ 4,185,173	\$ -	\$ 328,080	\$ 2,579,742	\$ 1,543,267	\$ 8,636,262
Private placement	200,000	238,029	36,196	-	-	-	274,225
Share based payments	-	-	-	73,514	-	-	73,514
Other comprehensive loss for the year	-	-	-	-	(342,951)	-	(342,951)
Net income for the year	-	-	-	-	-	429,738	429,738
Balance, December 31, 2016	4,886,694	4,423,202	36,196	401,594	2,236,791	1,973,005	9,070,788
Share based payments	-	-	-	30,303	-	-	30,303
Other comprehensive loss for the year	-	-	-	-	(281,763)	-	(281,763)
Net income for the year	-	-	-	-	-	379,625	379,625
Balance, December 31, 2017	4,886,694	\$ 4,423,202	\$ 36,196	\$ 431,897	\$ 1,955,028	\$ 2,352,630	\$ 9,189,953

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

Phoenix Canada Oil Company Limited

Consolidated Statements of Comprehensive Income

for the years ended December 31, 2017 and 2016

	2017	2016
Revenue		
Oil and gas income	\$ 1,610	\$ 7,433
Direct Costs		
Operating (recovered) expenses	(407)	8,445
Gross income (loss)	2,017	(1,012)
Expenses		
Administrative (notes 6 and 9)	425,776	267,416
Foreign exchange loss (gain)	3,066	(769)
Project development costs (recovered)	1,572	(47,679)
Scientific analysis	-	59,545
Share based payments (notes 6 and 8)	30,303	73,514
	460,717	352,027
Loss before investment income, sale of investments, and impairment	(458,700)	(353,039)
Investment income	218,092	255,281
Gain on sale of investments	781,792	664,546
Impairment of short term investments	(119,510)	(93,673)
Income before provision for income taxes	421,674	473,115
Provision for income taxes – deferred (note 10)	(42,049)	(43,377)
Net income for the year	\$ 379,625	\$ 429,738
Earnings per common share		
Basic	\$ 0.08	\$ 0.09
Fully diluted	\$ 0.08	\$ 0.09
Weighted average number of shares		
Basic	4,886,694	4,886,694
Fully diluted	4,886,694	4,886,694
Comprehensive income		
Items of other comprehensive loss to be subsequently reclassified to net income		
Unrealized gain on short-term investments	\$ 235,626	\$ 882,794
Unrealized gain (loss) on long-term investments	115,463	(666,274)
Reclassification of gains included in net income for the year	(674,901)	(602,848)
Deferred taxes	42,049	43,377
Other comprehensive loss for the year	(281,763)	(342,951)
Net income for the year	379,625	429,738
Net comprehensive income for the year	\$ 97,862	\$ 86,787

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

Phoenix Canada Oil Company Limited

Consolidated Statements of Cash Flows

for the years ended December 31, 2017 and 2016

	2017	2016
Cash flow used in operating activities		
Net income for the year	\$ 379,625	\$ 429,738
Items not affecting cash:		
Share based payments	30,303	73,514
Gain on sale of investments	(781,792)	(664,546)
Impairment of short term investments	119,510	93,673
Deferred tax provision	42,049	43,377
	(210,305)	(24,244)
Other sources (uses) of cash from operations:		
Other receivables	3,164	7,338
Accounts payable and accrued liabilities	62,831	(38,622)
	(144,310)	(55,528)
Cash flow from investing activities		
Purchase of investments	(46,500)	(895,510)
Return of capital on investments	27,607	35,622
Proceeds from disposal of investments	1,322,484	1,088,538
	1,303,591	228,650
Cash flow from financing activities		
Proceeds from share issuance, net	-	274,225
Increase in cash	1,159,281	447,347
Cash, beginning of year	2,685,813	2,238,466
Cash, end of year	\$ 3,845,094	\$ 2,685,813

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

Phoenix Canada Oil Company Limited

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

1. Business of the Company

Phoenix Canada Oil Company Limited ("the Company") was incorporated on November 25, 1944 pursuant to the Canada Business Corporation Act. The Company's address is 3219 Yonge Street, Box 307, Toronto, Ontario, Canada M4N 3S1. It is a Canadian company that maintains non-controlling equity investment positions in public companies. It also holds minority interest investments in several mature gas fields in Western Canada, the carrying value of which is \$1. The Company previously announced that it is evaluating acquisition targets that would generate additional shareholder value through the purchase of operating assets.

These consolidated financial statements were approved by the Board of Directors on April 26, 2018.

2. Basis of Presentation and Statement of Compliance

Statement of Compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applied consistently to all periods presented.

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Significant Accounting Estimates and Judgments

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

Significant estimates and judgments include, but are not limited to, the assessment as to whether investments may be impaired and the recognition and valuation of deferred tax amounts.

Functional Currency

The presentation and functional currency of the Company is the Canadian dollar.

3. Significant Accounting Policies

Changes in Accounting Policies

The Company's accounting policies will typically change only when there is a change in IFRS. There were no changes in IFRS during the current fiscal year that were required to be adopted by the Company.

Financial Instruments

The Company's financial instruments consist of the following:

Phoenix Canada Oil Company Limited

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies - continued

Financial Assets	Classification
Cash	Loans and receivables
Short-term investments	Available-for-sale
Other receivables	Loans and receivables
Long-term investments	Available-for-sale

Financial Liabilities	Classification
Accounts payable and accrued liabilities	Other financial liabilities

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Available-for-sale - Non-derivative financial assets not included in the above category are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of an impairment, the amount of the loss is removed from accumulated other comprehensive income and recognized in net income.

Other financial liabilities - These instruments are recognized initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

The effective interest method - The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Impairment arises when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of a financial asset is reduced by any impairment loss. If the amount of the impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income to the extent that the carrying amount of the financial asset at the date of reversal does not exceed what the amortized cost would have been had the original impairment loss not been recognized.

For short-term and long-term investments, indicators of impairment include a significant or prolonged decline in the fair value of the investment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has remained below its original cost. Where there is impairment, the difference between the acquisition cost, net of any prior impairment provision, and the current fair value is removed from other comprehensive income and recognized in net income. Increases in fair value subsequent to impairment are recognized in other comprehensive income and are not reversed through net income.

Phoenix Canada Oil Company Limited

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies - continued

Financial Instruments Recorded at Fair Value

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2017 and 2016 short-term investments and long-term investments are measured at fair value and are classified within Level 1 of the fair value hierarchy.

Revenue Recognition

Income from oil and gas leases is recognized when the amount of revenue is measurable and collection is reasonably assured, which generally coincides with the time that reporting is received from the operator of the oil and gas lease.

Foreign Exchange

As at the transaction date all asset, liability, revenue, and expense amounts denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect as at that date. At the end of each financial reporting period all monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect as at that date. The resulting foreign exchange gains and losses are included in net income.

Stock-based Compensation

The Company has in effect a stock option plan ("the Plan") which is described in note 8. The Plan allows Company employees, directors and officers to acquire shares of the Company for a specified option amount set on the date of grant. Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes model and is recorded as stock-based compensation expense over the vesting period of the options. Consideration paid on the exercise of stock options, plus any contributed surplus associated with the options, is credited to share capital upon exercise.

Income Taxes

Income taxes on the profit or loss for the periods presented comprises current and deferred tax.

Current tax expense is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous periods. Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- Goodwill not deductible for tax purposes;
- The initial recognition of assets or liabilities that do not affect either accounting or taxable income;
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Phoenix Canada Oil Company Limited

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies - continued

Income Taxes - continued

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the financial reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Earnings per Share

Basic earnings per share is calculated using the weighted-average number of common shares outstanding during the period. Fully diluted earnings per share is computed using the treasury stock method whereby all dilutive options, warrants, and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period. Options, warrants, and equivalents are excluded from fully diluted earnings per share when their effect would have been anti-dilutive.

Accounting Standards Effective for Future Periods

IFRS 9 - Financial Instruments

Effective for annual periods beginning on or after January 1, 2018, IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of future cash flows. The Company has completed its assessment and there will be no material impact on the consolidated financial statements when this standard is adopted in the Company's consolidated financial statements for the year beginning January 1, 2018.

4. Investments

Short-term investments consist of marketable securities held in numerous publicly traded companies that are listed on stock exchanges in Canada and the United States.

During the period, the Company re-evaluated its investment strategy, which resulted in the reclassification of the following investments from long-term to short-term. Each investment represented interests of less than 3%:

	<u>2017</u>	<u>2016</u>
Starrex International Ltd.	\$ -	\$ 250,724
Theralase Technologies Inc.	-	490,875
	<u>\$ -</u>	<u>\$ 741,599</u>

5. Interest in Oil and Gas Properties

	<u>2017</u>	<u>2016</u>
Oil and gas leases and/or permits	\$ 1	\$ 1

The Company's unamortized interest in its oil and gas properties can be realized only from future commercial production on the properties or from the proceeds of disposition thereof.

Phoenix Canada Oil Company Limited

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

6. Related Party Transactions

During the year, the Company had the following transactions with officers and directors of the Company and private companies controlled by officers and directors of the Company:

The Company incurred the following expenses which are included in administrative expenses (*note 9*):

- \$98,875 (2016 - \$72,196) for services rendered by its Interim Chief Executive Officer.
- \$47,000 (2016 - \$40,000) for services rendered by its Chief Financial Officer.
- \$17,955 (2016 - \$9,000) for Directors' fees.

The Company incurred share based payments of \$30,303 (2016 - \$73,514) relative to stock options granted to Directors and Officers during prior periods which had not vested prior to the current financial reporting period.

As at December 31, 2017, \$141,479 (2016 - \$90,638) was payable to the related parties noted above and is included in accounts payable and accrued liabilities. The amount due is unsecured, non-interest bearing, and is due on demand.

7. Share Capital

Authorized

The Company is authorized to issue an unlimited number of common shares.

Activity

During the year ended December 31, 2016 the Company completed a private placement transaction whereby it issued 200,000 working capital units, at a price of \$1.40 per unit, for gross proceeds of \$280,000. Costs of \$5,775 were incurred in relation to this offering resulting in net proceeds of \$274,225. Each working capital unit was comprised of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$1.50 until April 26, 2018. This private placement was offered exclusively to directors of the Company with the intent of aligning the interests of the Company's directors with the interests of its shareholders.

Warrants

	Number of warrants	Amount
Balance, beginning and end of year	200,000	\$ 36,196

	Number of Warrants	Exercise Price	Expiry Date
Issued Apr 29, 2016	200,000 ⁽¹⁾	\$ 1.50	Apr. 26, 2018

⁽¹⁾ Directors and/or Officers of the Company hold these warrants. Subsequent to the financial reporting date 142,500 warrants were exercised and 57,500 warrants expired.

The following weighted average assumptions were used to calculate the fair value of the warrants issued during the year:

	2017	2016
Dividend yield	None granted	Nil
Risk free interest rate (%)	None granted	0.67
Expected stock volatility (%)	None granted	35.95
Expected life (years)	None granted	2

Phoenix Canada Oil Company Limited

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

8. Contributed Surplus

The Company has a Stock Option Plan (the "Plan") that enables its directors, officers, employees, consultants and advisors to acquire common shares of the Company. Options are granted at the discretion of the Board of Directors. Under the terms of the Plan, options totaling up to 10% of the common shares outstanding from time to time are issuable. The vesting period and expiration period are fixed at the time of grant at the discretion of the Board of Directors. The fair values of stock options granted have been determined using the Black-Scholes model and are added to contributed surplus as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 401,594	\$ 328,080
Compensation expense related to stock options	<u>30,303</u>	<u>73,514</u>
Balance, end of year	<u>\$ 431,897</u>	<u>\$ 401,594</u>

Stock options

	Common Shares Under Option	Number of Options Vested	Exercise Price	Expiry Date
Granted May 21, 2013	50,000 ⁽¹⁾	50,000	\$ 2.00	May 21, 2018
Granted Dec. 30, 2015	345,000 ⁽¹⁾	258,750 ⁽²⁾	\$ 1.40	Dec. 30, 2022

⁽¹⁾ Directors and Officers of the Company hold these options.

⁽²⁾ 75% of these options have vested, and the remainder will vest on December 30, 2018. The Company currently anticipates that all options will vest.

No stock options were granted or exercised during the periods presented.

9. Administrative Expenses

	<u>2017</u>	<u>2016</u>
Insurance	\$ 6,048	\$ 6,696
Management and corporate services (<i>note 6</i>)	<u>163,830</u>	121,196
Office and general	<u>6,466</u>	6,679
Professional fees	<u>219,797</u>	91,709
Shareholder services	<u>17,990</u>	36,521
Travel	<u>11,645</u>	<u>4,615</u>
	<u>\$ 425,776</u>	<u>\$ 267,416</u>

10. Income Taxes

Income tax recovery

The reconciliation of the combined federal and provincial statutory income tax rate of 26% (2016 – 26%) to the effective tax rates for the years ended December 31 is as follows:

Phoenix Canada Oil Company Limited

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

10. Income Taxes - continued

Income tax recovery - continued

	2017	2016
Income before provision for income taxes	\$ 421,674	\$ 473,115
Expected income tax provision	\$ 109,635	\$ 123,000
Adjustments resulting from:		
Non-deductible expenses	8,239	19,300
Non-taxable investment income	(179,480)	(115,770)
Tax rate changes and other adjustments	97,970	(72,863)
Change in tax benefits not recognized	(2,060)	89,710
Provision for income taxes - deferred	\$ 42,049	\$ 43,377

Deferred tax liability

The following table summarizes the components of the deferred tax liability:

	2017	2016
Deferred tax assets:		
Non-capital losses carried forward	\$ 177,650	\$ 173,950
Deferred tax liabilities:		
Unrealized gains on available for sale financial instruments	(177,650)	(173,950)
Deferred tax liabilities - net	\$ -	\$ -

Movement in deferred tax liabilities

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

	2017	2016
Balance, beginning of year	\$ -	\$ -
Recognized in profit and loss	(42,049)	(43,377)
Recognized in other comprehensive income	42,049	43,377
Balance, end of year	\$ -	\$ -

Unrecognized deferred tax assets

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2017	2016
Non-capital losses carried forward	\$ 1,333,080	\$ 781,510
Interest in oil and gas properties	341,910	341,910
Equipment and other	36,420	35,930

The non-capital losses carried forward will expire, if not utilized, between 2030 and 2037. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

Phoenix Canada Oil Company Limited

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

11. Capital Disclosures

The Company's objectives when managing capital are to maintain its ability to continue as a going concern in order to provide return for shareholders, and to ensure sufficient resources are available to meet day to day operating requirements.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure, and makes adjustments to it, in order to have funds available to support its corporate activities.

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the financial reporting period.

12. Financial Risk Factors

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Credit 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 primary exposure to credit risk is in its cash. This risk is managed through the use of a major commercial bank which is a high credit quality financial institution as determined by rating agencies.

Market Risk

The significant market risks to which the Company is exposed are interest rate risk, price risk, and currency risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash is relatively unaffected by changes in short-term interest rates. The Company's exposure to price risk relates to its ability to convert its short-term and long-term investments as the Company trades investments within Canadian and US stock markets. The Company's exposure to currency risk relates to US cash held and a short-term investment that is denominated in US dollars and the potential impact because of changes in foreign exchange rates.

Sensitivity to Market Risk

A 10% increase or decrease in the fair values of the Company's short-term investments could result in an increase or decrease of approximately \$550,000 in other comprehensive income.

A 10% increase or decrease in the Canadian dollar relative to the US dollar could result in an increase or decrease of approximately \$9,350 in other comprehensive income and an increase or decrease of approximately \$3,750 in net income.

Based upon observations of recent market trends management believes that each of these outcomes is reasonably possible within one year.