



(FORMERLY ASEAN ENERGY CORP.)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED - PREPARED BY MANAGEMENT)

(EXPRESSED IN CANADIAN DOLLARS)

**FOR THE THREE AND SIX MONTH PERIOD ENDED OCTOBER 31, 2015**

**GENOVATION CAPITAL CORP.**

(formerly Asean Energy Corp.)

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated financial statements of Genovation Capital Corp. (“the Company”) have been prepared by and are the responsibility of the Company’s management.

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

**GENOVATION CAPITAL CORP.**

(Formerly Asean Energy Corp.)

Condensed Interim Consolidated Statement of Financial Position

(Unaudited-Expressed in Canadian Dollars)

	Notes	October 31, 2015 \$	April 30, 2015 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		56,398	10,539
Accounts receivable		9,519	8,249
Due from related parties	4, 11	8,145	-
Advances receivable	5	107,001	93,650
		181,063	112,438
Investment in MKHS, LLC	6	134,000	-
Investment in Servomarin Industries Corporation	7	250,000	250,000
Equipment	8	2,942	3,661
		568,005	366,099
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		30,030	211,857
Due to related company	11	-	27,149
Promissory note payable	12	-	132,160
		30,030	371,166
<b>Shareholders' equity</b>			
Share capital	9	5,655,655	5,125,795
Contributed surplus	9	939,604	936,485
Subscriptions received in advance	16	134,000	-
Deficit		(6,191,284)	(6,067,347)
		537,975	(5,067)
		568,005	366,099

**Nature and continuance of operations (Note 1)****Contingent liability (Note 15)****Subsequent events (Note 16)****Approved on behalf of the Board on December 28, 2015:**

Signed

Signed

"Robert van Santen"

Director

"Wayne M. Koshman"

Director

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

**GENOVATION CAPITAL CORP.**

(Formerly Asean Energy Corp.)

Condensed Interim Consolidated Statement of Comprehensive Loss

(Unaudited-Expressed in Canadian Dollars)

For the six months ended October 31

	Note	For the three months ended		For the six months ended	
		2015	October 31, 2014	2015	October 31, 2014
		\$	\$	\$	\$
<b>General and Administrative expenses</b>					
Advertising and promotion		-	800	-	10,023
Consulting fees		15,000	20,400	30,000	35,400
Depreciation	5	360	547	720	1,093
Insurance		1,660	3,040	4,150	6,080
Interest and bank charges		950	561	4,220	1,392
Management fees	7	50,001	92,083	97,500	189,583
Office, rent and miscellaneous		11,323	11,908	19,879	32,675
Professional fees (recovery)		3,265	16,936	(5,634)	37,454
Share based compensation		-	68,055	3,119	170,932
Telephone		1,129	1,464	2,322	10,903
Travel and business development		10,092	3,771	16,120	22,313
Transfer agent and filing fees		6,018	17,510	11,373	13,585
		99,798	237,075	183,769	531,433
<b>Overseas project development</b>					
Consulting fees		-	41,979	-	101,326
Management fees		-	11,700	-	34,500
Professional fees		-	477	-	6,960
Travel & project investigation fees		-	30,309	464	106,931
		-	84,465	464	249,717
<b>Net loss before other items</b>		(99,798)	(321,540)	(184,233)	(781,150)
<b>Other items</b>					
Other income		1	10,000	60,102	10,000
Foreign exchange gain (loss)		45	26	194	(46)
		46	10,026	60,296	9,954
<b>Loss and comprehensive loss for the period</b>		(99,752)	(311,514)	(123,937)	(771,196)
<b>Basic and diluted loss per share</b>		(0.00)	(0.04)	(0.01)	(0.10)
<b>Weighted average number of shares outstanding</b>		16,292,461	7,999,743	14,380,403	7,892,298

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

**GENOVATION CAPITAL CORP.**

(Formerly Asean Energy Corp.)

Condensed Interim Consolidated Statement of Changes in Shareholders' Deficiency

(Unaudited-Expressed in Canadian Dollars)

	<u>Share Capital</u>		Contributed Surplus	Subscriptions received in advance	Deficit	Total
	Number	Amount				
		\$	\$	\$	\$	\$
<b>Balance, April 30, 2014</b>	<b>6,797,256</b>	<b>3,950,730</b>	<b>698,979</b>	<b>562,010</b>	<b>(4,980,389)</b>	<b>231,330</b>
Shares issued for cash	1,139,346	591,610	-	-	-	591,610
Shares issued to settle debt	102,499	87,125	-	-	-	87,125
Subscriptions received in advance	-	-	-	(562,010)	-	(562,010)
Share issuance costs	-	(3,670)	-	-	-	(3,670)
Share based compensation	-	-	170,932	-	-	170,932
Net loss for the period	-	-	-	-	(771,196)	(771,196)
<b>Balance, October 31, 2014</b>	<b>8,039,101</b>	<b>4,625,795</b>	<b>869,911</b>	<b>-</b>	<b>(5,751,585)</b>	<b>(255,879)</b>
Shares issued for cash	1,000,000	500,000	-	-	-	500,000
Divestiture of subsidiaries (Note 8)	-	-	-	-	92,000	92,000
Transaction costs relating to divestiture of subsidiaries (Note 9)	-	-	-	-	(29,561)	(29,561)
Share based compensation	-	-	66,574	-	-	66,574
Loss for the period	-	-	-	-	(378,201)	(378,201)
<b>Balance, April 30, 2015</b>	<b>9,039,101</b>	<b>5,125,795</b>	<b>936,485</b>	<b>-</b>	<b>(6,067,347)</b>	<b>(5,067)</b>
Shares issued for cash	9,180,532	529,860	-	-	-	529,860
Share based compensation	-	-	3,119	-	-	3,119
Subscriptions received in advance	-	-	-	134,000	-	134,000
Net loss for the period	-	-	-	-	(123,937)	(123,937)
<b>Balance, October 31, 2015</b>	<b>18,219,633</b>	<b>5,655,655</b>	<b>939,604</b>	<b>134,000</b>	<b>(6,191,284)</b>	<b>537,975</b>

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

**GENOVATION CAPITAL CORP.**  
(Formerly Asean Energy Corp.)  
Condensed Interim Consolidated Statement of Cash Flows  
(Unaudited-Expressed in Canadian Dollars)  
For the six months ended October 31

	<b>Six Months Ended October 31, 2015</b>	<b>Six Months Ended October 31, 2014</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(123,937)	(771,196)
Adjustment for non-cash items:		
Depreciation	719	1,093
Share based compensation	3,119	170,932
	<u>(120,099)</u>	<u>(599,171)</u>
Working capital adjustments		
Trade and other receivables	(1,270)	56,918
Due from related parties	(8,145)	12,340
Prepaid expenses	-	29,766
Advances receivable	(13,351)	-
Accounts payable and accrued liabilities	(181,827)	119,287
Due to related company	(27,149)	-
Promissory note payable	(132,160)	-
	<u>(484,001)</u>	<u>(380,860)</u>
<b>INVESTING ACTIVITIES</b>		
Investment in MKHS, LLC	(134,000)	-
	<u>(134,000)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance	529,860	683,610
Subscriptions received in advance	134,000	(562,010)
	<u>663,860</u>	<u>121,600</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
	45,859	(259,260)
<b>Cash and cash equivalents, beginning of period</b>	<u>10,539</u>	<u>272,644</u>
<b>Cash and cash equivalents, end of period</b>	<b><u>56,398</u></b>	<b><u>13,384</u></b>
<b>Supplemental disclosure with respect to cash flows:</b>		
Share issuance costs accrued through accounts payable and accrued liabilities	-	3,670
Accounts payable and accrued liabilities settled through the issuance of common shares	69,250	87,124
Promissory note payable settled through the issuance of common shares	147,360	-

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

# **GENOVATION CAPITAL CORP.**

(Formerly Asean Energy Corp.)

Notes to the Condensed Interim Consolidated Statements

For the Six Months Ended October 31, 2015

(Unaudited-Expressed in Canadian Dollars)

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## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Genovation Capital Corp. (formerly Asean Energy Corp.) (collectively with its subsidiary, the “Company”) was incorporated under the laws of British Columbia on January 14, 1981. On August 22, 2014 the common shares of the Company were voluntarily delisted from TSX-V. The Company changed its name to “Asean Energy Corp.” and its common shares commenced trading on the Canadian Securities Exchange (“CSE”) under trading symbol “ASA” on August 25, 2014. On April 15, 2015, the Company consolidated its share capital on a 10:1 basis. All share and per share amounts have been restated to reflect the consolidation. Effective on August 20, 2015 the Company changed its name to “Genovation Capital Corp.” and its common shares commenced trading under the trading symbol “GEC” on the CSE. The Company is engaged in the oil and gas sector, acquiring, exploring and developing resource properties.

The address of the Company’s registered and records office and head office address is Suite 700, 1199 West Hastings Street, Vancouver, British Columbia, Canada V6E 3T5.

The consolidated financial statements were prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation.

The Company has incurred losses since its inception and had an accumulated deficit of \$6,191,284 as at October 31, 2015. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. Management of the Company does not expect that cash flows for the Company’s operations will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

## **2. BASIS OF PREPARATION**

### **Statement of compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended April 30, 2015.

The accounting policies applied in preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended April 30, 2015.

### **Basis of preparation**

These condensed interim consolidated financial statements have been prepared on the accrual basis of accounting except for cash flow information, and on an historical cost basis except for certain financial assets measured at fair value. The financial statements are presented in Canadian Dollars, which is also the Company’s functional currency, unless otherwise indicated.

## **GENOVATION CAPITAL CORP.**

(Formerly Asean Energy Corp.)

Notes to the Condensed Interim Consolidated Statements

For the Six Months Ended October 31, 2015

(Unaudited-Expressed in Canadian Dollars)

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### **2. BASIS OF PREPARATION-continued**

#### **Critical accounting estimates**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously 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. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The inputs used in calculating the fair value for share-based compensation expense included in profit or loss.
- ii) The valuation of shares issued in non-cash transactions, including the settlement of debt. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- iii) The treatment of accounts payable and accrued liabilities written off through the statements of comprehensive loss requires certain management judgments. Management believes that the related vendors will not pursue payment from the Company or its subsidiary. Further, these accounts payable relate to operations in a geographical segment the Company is no longer active in and therefore management has no current intention to pay these amounts.
- iv) Going concern presentation of the consolidated financial statements which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of consolidation**

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, Asean Energy Holdings Corp. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The subsidiary is included in the consolidated financial statements from the date control commences until the date control ceases.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

#### **Functional and presentation currency**

The functional currency of the Company and its subsidiary is the Canadian dollar as this is the principal currency of the economic environment in which they operate. The Canadian dollar is also the Company's presentation currency.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.



**GENOVATION CAPITAL CORP.**  
 (Formerly Asean Energy Corp.)  
 Notes to the Condensed Interim Consolidated Statements  
 For the Six Months Ended October 31, 2015  
 (Unaudited-Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES-continued**

**Functional and presentation currency-continued**

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position are comprised of cash and short-term deposits held at major financial institutions, which are readily convertible into known amounts of cash. The Company's cash and cash equivalents are invested in business and savings accounts which are available on demand by the Company for its operations.

Cash and cash equivalents consist of:

	October 31, 2015	April 30, 2015
Cash	\$ 50,648	\$ 4,789
Term deposits	5,750	5,750
<b>Total</b>	<b>\$ 56,398</b>	<b>\$ 10,539</b>

**Financial instruments**

i. Financial assets

The Company classifies its financial assets into one of the following categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*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 using the effective interest method less any provision for impairment.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

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

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

## GENOVATION CAPITAL CORP.

(Formerly Asean Energy Corp.)

Notes to the Condensed Interim Consolidated Statements

For the Six Months Ended October 31, 2015

(Unaudited-Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES-*continued*

#### Financial instruments-*continued*

##### ii. Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities* - This category consists of liabilities carried at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents as fair value through profit and loss, its investment in Servomarin Industries Corporation as available-for-sale, its receivables and due from related parties as loans and receivables and its accounts payable, and accrued liabilities, due to related company and promissory note payable as other financial liabilities.

#### Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated using a declining balance method to write off the cost of the assets. The depreciation rates applicable to each category of property and equipment are as follows:

Computer equipment	55% Declining balance
Office equipment	20% Declining balance

#### Exploration and evaluation assets

The Company's evaluation, pre-exploration and exploration costs incurred prior to obtaining title are expensed as incurred as project development expenses. Acquisition costs are capitalized upon obtaining title or right to a property interest.

No amortization charge is recognized in respect of capitalized exploration and evaluation assets. These assets are transferred to development assets in property, plant and equipment upon the commencement of development. Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

## **GENOVATION CAPITAL CORP.**

(Formerly Asean Energy Corp.)

Notes to the Condensed Interim Consolidated Statements

For the Six Months Ended October 31, 2015

(Unaudited-Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES-continued**

#### **Exploration and evaluation assets-continued**

Acquisition costs related to an area of interest where the Company has tenure are capitalized as intangible assets and are initially recorded at cost less impairment.

Capitalized exploration and evaluation expenditures also include the costs incurred in acquiring exploitation rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

All capitalized exploration and evaluation expenditures are assessed for impairment if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

#### **Impairment of non-financial assets**

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **Provisions**

##### **i. Environmental rehabilitation provision**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the profit and loss statement. The Company had no rehabilitation obligations as at October 31, 2015 or April 30, 2015.

## **GENOVATION CAPITAL CORP.**

(Formerly Asean Energy Corp.)

Notes to the Condensed Interim Consolidated Statements

For the Six Months Ended October 31, 2015

(Unaudited-Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES-continued**

#### **Provisions-continued**

##### ii. Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

#### **Share-based compensation**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of the options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. The fair value is recognized as an expense with a corresponding increase in contributed surplus. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in contributed surplus. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Share-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

#### **Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the 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 affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 financial position reporting date applicable to the period of expected realization or settlement.

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.

## **GENOVATION CAPITAL CORP.**

(Formerly Asean Energy Corp.)

Notes to the Condensed Interim Consolidated Statements

For the Six Months Ended October 31, 2015

(Unaudited-Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES-continued**

#### **Income taxes-continued**

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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

#### **Loss per share**

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the net earnings (loss) available to common shareholders of the Company by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

#### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **New accounting standards and interpretation**

The following standards and amendments to existing standards have been adopted by the Company effective May 1, 2014:

These include IAS 32 (Amendment) Offsetting Financial Assets and Financial Liabilities, IAS 36 (Amendment) Recoverable Amount Disclosures for Non-Financial Assets, and IFRIC 21 Levies. The Company has adopted these policies and they did not have a significant effect on the financial statements. As required by IAS 34, the nature and the effect of these changes are disclosed below.

The nature and the impact of each new standard are described below:

##### *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*

The amendment to IAS 32, Financial Instruments: Presentation, requires that a financial asset and financial liability should only be offset and the net amount reported when an entity has a legal enforceable right to set off the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

##### *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*

Under the amended IAS 36, Impairment, the recoverable amount of a CGU is required to be disclosed only when an impairment loss has been recognized or reversed.

##### *IFRIC 21, Levies*

IFRIC 21 clarifies that obligating events giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payments of the levy.

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### **3. SIGNIFICANT ACCOUNTING POLICIES-continued**

#### **Accounting standards not yet effective**

##### *IFRS 7, Financial Instruments – Disclosure*

IFRS 7 has been amended to require additional disclosures on transition from IAS 39 to IFRS 9 and is effective for annual periods beginning on or after January 1, 2015.

##### *IFRS 15, Revenue from Contracts with Customers*

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after January 1, 2017. In May 2015, IASB proposed to defer the effective date to January 1, 2018.

##### *IFRS 9, Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

#### **New accounting standards and interpretation**

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

### **4. DUE FROM RELATED PARTIES**

Amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. As at October 31, 2015 there is a net balance outstanding of \$8,145 (April 30, 2015 - \$Nil).

### **5. ADVANCES RECEIVABLE**

The total balance of \$107,001 for advances receivable (April 30, 2015 - \$93,650) relates to funds advanced to Servomarin Sdn. Bhd (“SSB”) for implementation of its business plan, is unsecured, and repayable on demand.

### **6. INVESTMENT IN MKHS, LLC**

On October 30, 2015 the Company advanced US\$100,000 (\$134,000) to MKHS LLC (“MKHS”). An additional US\$100,000 (\$134,000) was advanced subsequent to the period in early November. These advances were in accordance with the terms and conditions of the Company’s Letter of Intent (the “LOI”) with MKHS pending the acquisition of all of the issued and outstanding securities of MKHS in exchange for securities of the Company (the “Transaction”). The LOI was effective as of October 30, 2015 and negotiated at arm’s length, as detailed in a November 2, 2015 news release.

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**7. INVESTMENT IN SERVOMARIN INDUSTRIES CORPORATION**

Under the terms of its Letter of Intent with SSB, the Company advanced \$250,000 (the “Loan”) to SSB towards the costs of implementing its business plan. Servomarin Industries Corporation (“SIC”) acquired SSB, as approved by the shareholders of both companies. The Company agreed to settle the Loan in full, with no deemed interest or bonus, through the issue of 5 million SIC shares to the Company, at a cost of \$0.05 per share, resulting in the ownership of 7% of SIC.

The SIC shares have been designated as available-for-sale and are subject to impairment assessment. As at October 31, 2015, no unrealized gain or losses (April 30, 2015 - \$Nil) have been recognized in other comprehensive income.

**8. EQUIPMENT**

	<b>Computer Equipment</b>
<b>Cost:</b>	
As at April 30, 2014	\$ 9,225
Additions	-
At July 31, 2014	9,225
Additions	1,146
Disposition	(2,000)
At April 30, 2015	\$ 8,371
Additions	-
At October 31, 2015	\$ 8,371
<b>Depreciation:</b>	
At April 30, 2014	\$ 2,912
Charge for the period	547
At July 31, 2014	3,459
Charge for the period	1,251
At April 30, 2015	\$ 4,710
Charge for the period	719
At October 31, 2015	\$ 5,429
<b>Net book value:</b>	
At April 30, 2015	\$ 3,661
At October 31, 2015	\$ 2,942

**9. SHARE CAPITAL AND CONTRIBUTED SURPLUS****Authorized share capital**

The Company is authorized to issue an unlimited number of common and preferred shares with no par value.

**Issued shares:**

- On July 8, 2013 the Company completed a non-brokered private placement of 187,500 units at a price of \$0.80 per unit for gross proceeds of \$150,000. Each unit consisted of one common share and one half common share purchase warrant, with one full warrant entitling the holder to purchase one common share of the Company for \$2.00 up to July 8, 2014, subject to acceleration conditions.

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### **9. SHARE CAPITAL AND CONTRIBUTED SURPLUS-continued**

#### **Issued shares-continued**

2. On October 18, 2013 the Company completed a non-brokered private placement of 630,000 units at a price of \$0.50 per unit for gross proceeds of \$315,000. Each unit consisted of one common share and one half common share purchase warrant, with one full warrant entitling the holder to purchase one common share of the Company for \$2.00 up to October 18, 2014, subject to acceleration conditions.
3. On November 26, 2013 the Company entered into a shares-for-debt agreement with an arm's length creditor. The Company issued 91,436 shares at a price of \$0.50 per unit settling \$45,718 of the Company payables. The creditor also wrote-off a further \$26,732 of debt owed by the Company to the creditor.
4. On February 18, 2014 the Company completed a non-brokered private placement of 1,000,000 units at a price of \$0.50 per unit for gross proceeds of \$500,000. Each unit consisted of one common share and one half common share purchase warrant, with one full warrant entitling the holder to purchase one common share of the Company for \$2.00 up to February 18, 2015, subject to acceleration conditions.
5. On May 7, 2014 the Company completed a non-brokered private placement of 1,010,016 units at a price of \$0.60 per unit for gross proceeds of \$606,010, of which \$44,000 was exchanged for payables. Each unit consisted of one common share and one half common share purchase warrant, with one full warrant entitling the holder to purchase one common share of the Company for \$2.00 up to May 7, 2015, subject to acceleration conditions.
6. On June 23, 2014 the Company entered into a shares-for-debt agreement with an arm's length creditor. The Company issued 102,499 shares at a price of \$0.85 per share settling \$87,124 of the Company payables.
7. On August 29, 2014 the Company completed a non-brokered private placement of 129,330 units at a price of \$0.60 per unit for gross proceeds of \$77,600. Each unit consisted of one common share and one-half of a common share purchase warrant, with one full warrant entitling the holder to purchase one common share at a price of \$2.00 up to August 29, 2015, subject to acceleration conditions.
8. On December 2, 2014 the Company completed a non-brokered private placement of 540,000 units at a price of \$0.50 per unit for gross proceeds of \$270,000 of which \$12,500 was exchanged for payables. Each unit consisted of one common share of the Issuer, one-half of a common share of SIC, and the right to acquire for no additional consideration a one-half share purchase warrant of SIC, with each full SIC warrant exercisable to acquire one additional common share of SIC at a price of \$1.00 for a period of one year from closing of a Plan of Arrangement ("POA") (See Note 9).
9. On January 16, 2015 the Company completed a non-brokered private placement of 460,000 units at a price of \$0.50 per unit for gross proceeds of \$230,000, of which \$20,000 was exchanged for payables and \$50,000 was paid on behalf of SIC as a signing bonus to a consultant. Each unit consisted of one common share of the Issuer, and the right to acquire for no additional consideration one-half of a common share of SIC, and a one-half share purchase warrant of SIC, with each full SIC warrant exercisable to acquire one additional common share of SIC at a price of \$1.00 for a period of one year from closing of the POA. A change to deficit of \$92,000 resulted from the issuance of the SIC share rights and warrants pursuant to the January 16, 2015 share issuance.
10. On April 15, 2015 the Company completed consolidating its issued and outstanding common shares on the basis of one (new) post consolidation share for each ten (old) pre-consolidation shares. The Company had 90,391,049 common shares issued and outstanding. Following the consolidation, the Company has 9,039,101 common shares issued and outstanding, and continued to trade on the CSE under the stock symbol "ASA", which changed to "GEC" in the subsequent period.
11. On June 12, 2015 the Company closed a non-brokered private placement of 6,347,200 shares at a price of \$0.05 per share for gross proceeds of \$317,360, of which \$216,610 was exchanged for promissory notes, payables and accrued liabilities.



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**9. SHARE CAPITAL AND CONTRIBUTED SURPLUS-continued****Issued shares-continued**

12. On September 23 and October 23, 2015 the Company closed two tranches of a non-brokered private placement of 2,833,332 shares at a price of \$0.075 per share for gross proceeds of \$212,500, of which \$7,500 was exchanged to settle a third party payable and \$20,250 was exchanged to settle accrued liabilities to an officer and director of the Company. All shares issued are subject to a statutory hold periods ending on January 24 and February 24, 2015 in accordance with applicable securities legislation.

The exercise or conversion price and the number of common shares issuable under any of the Company's outstanding warrants and stock options have been proportionately adjusted to reflect the Consolidation in accordance with their respective terms thereof. No fractional common shares were issued pursuant to the Consolidation, and any fractional common shares that would otherwise be issued were rounded down or up to the nearest whole number.

**Warrants**

The Company's warrant transactions are summarized as follows:

	October 31, 2015		April 30, 2015	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of period	569,675	2.00	2,851,750	1.30
Issued	2,833,332	0.25	569,675	2.00
Expired	(569,675)	2.00	(2,851,750)	1.30
Balance, end of period	2,833,332	0.25	569,675	2.00

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

Warrants outstanding	Exercise price \$	Expiry date
1,866,666	0.25	September 22, 2017 <sup>(1)</sup>
966,666	0.25	October 22, 2017 <sup>(1)</sup>

(1) The Company is entitled to accelerate the expiry date of all the outstanding \$0.25 warrants to the date that is 30 days following the date the Company issues a news release announcing that the published closing price of the common shares on the CSE has been equal or greater than \$0.35 for any 10 consecutive trading days after the statutory hold period.

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**9. SHARE CAPITAL AND CONTRIBUTED SURPLUS-continued****Stock options**

The Company has an incentive stock option plan which permits the Board of Directors of the Company to grant options to directors, employees and non-employees to acquire common shares of the Company at fair market value on the date of approval by the Board of Directors. A portion of the stock options vests at the end of the first quarter from the grant date and the balance vests over a period of up to five years from grant date.

The following table summarizes the changes in the outstanding stock options:

	October 31, 2015		April 30, 2015	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of the period	670,000	1.00	570,000	1.00
Granted	1,025,000	0.10	230,000	1.00
Expired/cancelled	(220,000)	1.00	(130,000)	1.00
Balance, end of period	1,475,000	0.37	670,000	1.00
Options exercisable, end of period	450,000	1.00	545,000	1.00

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

Options outstanding	Options exercisable	Exercise price \$	Expiry date
170,000	170,000	1.00	September 25, 2017
180,000	180,000	1.00	October 10, 2018
100,000	100,000	1.00	November 27, 2018
875,000	-	0.10	August 31, 2020
150,000	-	0.10	September 22, 2020
1,475,000	450,000		

The fair value of options granted is estimated using the Black-Scholes option pricing model with the following assumptions:

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### 9. SHARE CAPITAL AND CONTRIBUTED SURPLUS-*continued*

#### Stock options-*continued*

	October 31, 2015	April 30, 2015
Average dividend per share	-	-
Average forecasted volatility	156%	156%
Average risk-free interest rate	1.03%	1.03%
Average expected life	5 years	5 years
Fair value – weighted average of options issued	\$ 0.78	\$ 0.78

For the period ended October 31, 2015, the Company recorded share-based compensation expense with an offsetting increase to contributed surplus of \$3,119 (year ended April 30, 2015 - \$237,506).

### 10. PLAN OF ARRANGEMENT

On October 13, 2014 the Company incorporated Servomarin Industries Corp (“SIC”) as a wholly owned subsidiary. On December 14, 2015 the Company incorporated 1021916 B.C. Ltd. (“916”) as a wholly owned subsidiary. On January 15, 2015 the Company incorporated 1024954 B.C. Ltd. (“954”) as a wholly owned subsidiary. There was a transfer of certain assets to the Company’s three wholly-owned subsidiaries SIC, 916 and 954 (collectively, the “Spincos”) in consideration for the issuance of common shares of the Spincos, and the distribution of these common shares to the Company’s shareholders on a pro rata basis. At its March 2, 2015 AGM shareholders of the Company voted unanimously in favour of the Plan of Arrangement (“POA”).

On March 16, 2015 the Company announced completion of its POA. The Spincos were spun out in consideration for the issuance of common shares of the Spincos to Company shareholders, and the transfer of the Company’s interests in and to each of its three letters of intent to the three Spincos. In accordance with the March 5, 2015 final order from the Supreme Court of British Columbia for the implementation of the POA, the distribution of the Spincos’ common shares to the Company’s shareholders of record was completed on a pro rata basis as follows:

- For every 10 shares held of the Company, 1 share of SIC was issued;
- For every 25 shares held of the Company, 1 share of 916 was issued;
- For every 25 shares held of the Company, 1 share of 954 was issued.

By virtue of the POA and having issued shares to the public, the Spincos are “Reporting Issuers” as defined by the provincial securities commissions.

During the period ended October 31, 2015, the Company incurred \$Nil (April 30, 2015 - \$29,561) in transaction costs, and recorded nil gain or loss in connection with the Arrangement.

### 11. RELATED PARTY TRANSACTIONS

During the period ended October 31, 2015, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

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### 11. RELATED PARTY TRANSACTIONS-*continued*

- i. As at October 31, 2015, \$18,992 (April 30, 2015 - \$Nil) was due from related parties. The amounts due from related parties are unsecured, non-interest bearing and have no fixed terms for repayment.
- ii. As at October 31, 2015, \$Nil (April 30, 2015 - \$27,149) was due to related parties, included in accounts payable and accrued liabilities. The amounts due to related parties are unsecured, non-interest bearing and have no fixed terms for repayment.
- iii. During the period ended October 31, 2015, \$127,000 (April 30, 2015 - \$Nil) was lent to the Company by a company controlled by a family member of a director of the Company, subsequently repaid through the issuance of common shares.
- iv. During the period ended October 31, 2015, \$12,000 (April 30, 2015 - \$13,000) rent was paid or accrued to a company controlled by a family member of a director and officer of the Company.
- v. During the period ended October 31, 2015 \$2,700 (April 30, 2015 - \$20,160) loan facility fee (interest) was paid or accrued on the promissory note issued from a family member of a director of the Company, settled through the issuance of common shares.

Summary of key management personnel compensation is as follows:

	<b>For the six months ended October 31,</b>	
	<b>2015</b>	<b>2014</b>
Share-based compensation*	\$ 3,119	\$ 170,932
Consulting, management and directors' fees	\$ 97,500	\$ 189,583
Overseas management, consulting and bonuses	\$ -	\$ 249,717

\* The estimated fair value of the stock options granted during the year was determined using the Black-Scholes option pricing model.

Included in accounts payable and accrued liabilities as at October 31, 2015 was \$2,100 (April 30, 2015 - \$46,179) due to a company controlled by a family member of a director of the Company.

### 12. PROMISSORY NOTE PAYABLE

The Company received working capital loans totaling \$127,000 during the period, with \$Nil owing as at October 31, 2015 (April 30 2015 - \$112,000), from a company controlled by a family member of an officer of the Company. On the basis that the entire loan would be settled in full through participation in a private placement financing to be undertaken by the Company, a loan facility fee was incurred. An amount of \$2,700 was accrued and expensed as interest during the period ended October 31, 2015 (April 30, 2015 - \$20,160). The entire loan and facility fee was settled in full through the lender's participation in the private placement completed on June 12, 2015.

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### 13. CAPITAL RISK MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' equity (deficiency).

The Company has historically relied on the equity markets to fund its activities. Current financial markets are very difficult and there is no certainty with respect to the Company's ability to raise capital. The Company will continue to assess new properties and seek to acquire an interest in mineral properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- a. Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- b. Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
- c. Level 3 – inputs that are not based on observable market data

	Financial assets at fair value			July 31, 2015
	Level 1	Level 2	Level 3	
Fair value through profit and loss financial asset				
Cash and cash equivalents	\$ 7,625	-	-	\$ 7,625
Investment in Servomarin Industries Corp.	\$250,000	-	\$250,000	\$250,000
Total financial assets at fair value	\$257,625	-	\$250,000	\$ 257,625

	Financial assets at fair value			April 30, 2015
	Level 1	Level 2	Level 3	
Fair value through profit and loss financial asset				
Cash and cash equivalents	\$ 10,539	-	-	\$ 10,539
Investment in Servomarin Industries Corp.	\$250,000	-	\$250,000	\$250,000
Total financial assets at fair value	\$ 260,539	-	\$250,000	\$ 260,539

The fair values of the Company's receivables, due from related parties, advances receivable, accounts payable and accrued liabilities and promissory note payable approximate their carrying values due to their short term nature and are classified as a Level 1 measurement.

As market prices are not available and the impact of the unobservable inputs is significant, the fair value measurement of investment in Servomarin Industries Corporation is classified as a Level 3 measurement.

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### **14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT-*continued***

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### *Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company currently does not have sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in bank accounts which are available on demand.

#### *Market risk*

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

#### *Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in Canadian Dollars (CDN), and US Dollars (USD).

#### *Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of raw materials, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

### **15. CONTINGENT LIABILITY**

On July 16, 2014 a Civil Lawsuit against the Company was filed with the Supreme Court of British Columbia. The claim resulted from the plaintiffs' desire to fund and participate in work-overs of PT Sinergi's initial onshore multi-reservoir oil fields, a project that was ultimately never completed. The Company filed a Response and Countersuit. Given the dormant nature of the claim, the Company has reversed the accrued US\$50,000 from accounts payable and accrued liabilities related to the claim, and has not accrued for interest or damages. The Company believes that the claims are without merit and filed a response and counterclaim on August 18, 2014.

### **16. SUBSEQUENT EVENTS**

On November 9, 2015 the Company closed a private placement of 2,680 \$100.00 Convertible Debentures (collectively the "CDs") for proceeds of \$268,000 (US\$200,000), the first tranche of non-brokered financing (the "Offering") intended to raise US\$450,000 under the terms of the Company's LOI with MKHS, LLC ("MKHS") (see below for details). As at October 31, 2015 the Company had received \$134,000 (US\$100,000) towards this Offering and recorded the amount as a subscription received in advance.

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### **16. SUBSEQUENT EVENTS-continued**

Each \$100 CD entitles the debenture holder (the "Holder") thereof to convert into 2,500 common shares of the Company, for a period of up to six months, to May 5, 2016 (the "Maturity Date"). While non-interest-bearing, should the investor fail to convert any or all CDs, a US\$15,000 bonus shall be payable to the Holder upon the expiry of the Maturity Date. All securities issued in connection with the Offering are subject to a statutory hold period of four months plus a day from the date of distribution in accordance with applicable securities legislation.

The debentures were subscribed for by Westland Capital Advisors S.A. ("Westland"), a non-arm's-length party to the Company. A director and the company's chief executive officer is an executive of Westland.

On November 25, 2015, further to a non-binding letter of intent dated October 30, 2015, the Company announced that it entered into a binding commitment letter dated November 24, 2015 (the "Commitment Letter") with MKHS, an arm's length private limited liability company incorporated pursuant to the laws of Arizona, in respect of the proposed business combination of the two companies (the "Transaction") Under the terms of the Transaction, the Company will proceed to consolidate its share capital on a one-for-three basis (the "Consolidation") and complete a US\$450,000 Offering. The shareholders of MKHS and Genovation Capital are expected to own, respectively, approximately 77 per cent and 23 per cent of the combined company (the "Resulting Issuer") after the Offering.

MKHS is a vertically integrated, fully licensed, Arizona-based marijuana cultivation, extraction and medicinal dispensary business. MKHS operates a 11,000 sf warehouse cultivation, commercial kitchen and extraction facility, and a separate 3,000 sf automated greenhouse located on 9.5 acres, zoned for expansion to 100,000 sf. The company supplies medical marijuana pursuant to the Arizona Medical Marijuana Act, operates two state-licensed "healing center" dispensaries and distributes its own in-house prepared, branded line of edibles, concentrates and extracts.

Trading in the common shares of Genovation Capital was halted prior to and as a result of entering into this binding commitment and will remain halted until such time as all required documentation has been filed with and accepted by the CSE and permission to resume trading has been obtained from the CSE. The Transaction, if completed, will constitute a "Fundamental Change" for Genovation Capital, as defined in Canadian Securities Exchange ("CSE") policies. A Fundamental Change is a major acquisition accompanied by a change of control, whereby the Transaction results in a change of control.