

LUXOR INDUSTRIAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013
(Expressed in Canadian Dollars)



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Independent Auditor's Report

To the Shareholders of Luxor Industrial Corporation

We have audited the accompanying consolidated financial statements of Luxor Industrial Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of operations and 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Luxor Industrial Corporation and its subsidiaries as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Luxor Industrial Corporation to continue as a going concern.

"Crowe MacKay LLP"

**Chartered Accountants
Vancouver, British Columbia
April 30, 2015**

Luxor Industrial Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2014		December 31, 2013	
Assets				
Current				
Cash	\$	246,995	\$	30,276
Accounts receivable (note 11)		193,147		50,551
Inventory (note 3.c)		71,139		29,773
Prepaid expenses and deposits		32,835		30,954
		544,116		141,554
Property and Equipment (note 4)		381,263		461,773
	\$	925,379	\$	603,327
Liabilities				
Current				
Line of credit (note 10)	\$	-	\$	58
Accounts payable and accrued liabilities		315,165		665,784
Government remittances and penalties payable		220,428		302,904
Advances from related parties (note 6)		897,719		1,258,331
		1,433,312		2,227,077
Equity				
Share capital (note 5)		9,944,826		9,539,997
Share-based payment reserve		598,165		598,165
Deficit		(11,050,924)		(11,761,912)
		(507,933)		(1,623,750)
	\$	925,379	\$	603,327

Nature and continuance of operations (note 1)

Commitments (note 9)

Subsequent event (note 14)

Approved on behalf of the Board of Directors:

"TERRY O. LASHMAN" DIRECTOR

"TIMOTHY A. CHARMAN" DIRECTOR

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

Luxor Industrial Corporation
Consolidated Statements of Operations and Comprehensive Income
(Expressed in Canadian Dollars)

For the years ended,	December 31, 2014		December 31, 2013	
Revenue (note 3b)	\$	2,799,169	\$	2,157,003
Less: Returns and allowances		16,511		22,055
Net Sales		2,782,658		2,134,948
Cost of Sales (note 8)		1,889,311		1,751,086
Gross margin 32.1% (2013: 18.0%)		893,347		383,862
Expenses				
Amortization - deferred development expenditures		-		1,837
Bad debt expense		5,160		13,731
Code and license fees		-		7,668
Consulting fees (note 7)		30,200		90,129
Depreciation - property and equipment		111,386		145,623
Engineer services		1,540		3,264
Equipment rental		2,810		2,767
Interest expense (note 6)		13,967		27,111
Management fees (note 7)		24,000		-
Marketing consulting fees		-		30,250
Office supplies and miscellaneous		105,460		109,677
Professional fees		28,883		42,991
Stock exchange and transfer agent filing fees		19,527		10,422
Travel and promotion		20,339		9,823
Wages and benefits (note 7)		145,875		498,275
		509,147		993,568
Income (Loss) before other items		384,200		(609,706)
Other items				
Write-off of deferred development expenditures		-		(23,350)
Gain on settlements of debt (notes 5b, 6 & 11)		326,788		645,375
		326,788		622,025
Net and comprehensive income for the year	\$	710,988	\$	12,319
Basic and diluted earnings per share	\$	0.03	\$	0.00
Weighted average number of common shares outstanding - basic and diluted		26,427,139		21,870,319

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

Luxor Industrial Corporation
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share-based payment reserve	Deficit	Total
Balance, December 31, 2013	21,870,319	\$ 9,539,997	\$ 598,165	\$ (11,761,912)	\$ (1,623,750)
Shares for debt (Note 5)	5,616,460	112,329	-	-	112,329
Shares issued for cash, net of share issue cost	6,000,000	292,500	-	-	292,500
Income for the year	-	-	-	710,988	710,988
Balance, December 31, 2014	33,486,779	\$ 9,944,826	\$ 598,165	\$ (11,050,924)	\$ (507,933)
	Number of Shares	Share Capital	Share-based payment reserve	Deficit	Total
Balance, December 31, 2012	21,870,319	\$ 9,539,997	\$ 598,165	\$ (11,774,231)	\$ (1,636,069)
Income for the year	-	-	-	12,319	12,319
Balance, December 31, 2013	21,870,319	\$ 9,539,997	\$ 598,165	\$ (11,761,912)	\$ (1,623,750)

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

Luxor Industrial Corporation
Consolidated Statements of Cash Flow
(Expressed in Canadian Dollars)

For the years ended,	December 31, 2014		December 31, 2013	
Cash provided by (used for)				
Operating Activities				
Income (Loss) for the year	\$	710,988	\$	12,319
Bad debt expense		5,160		13,731
Add Items not affecting cash				
Depreciation - property and equipment		111,386		145,623
Amortization - deferred development expenditures		-		1,837
Gain on settlements of debt		(326,788)		(645,375)
Write-off of deferred development expenditures		-		23,350
Change in non-cash working capital items				
Accounts receivable		(147,756)		518,684
Inventory		(41,366)		74,619
Prepaid expenses and deposits		(1,881)		(119)
Accounts payable and accrued liabilities		(185,965)		(197,955)
Government remittances and penalties payable		(82,476)		(63,681)
		41,302		(116,967)
Financing activities				
Proceeds from share issuances, net of share issue costs		300,000		-
Advances from related parties		162,946		70,777
Repayment of advances from related parties		(256,595)		-
		206,351		70,777
Investing activity				
Purchase of equipment		(30,876)		(50,742)
		(30,876)		(50,742)
Net increase (decrease) in cash		216,777		(96,932)
Cash beginning of year		30,218		127,150
Cash end of year	\$	246,995	\$	30,218
Supplemental cash flow information				
Interest paid	\$	13,967	\$	13,196
Interest income	\$	-	\$	-
Income taxes paid	\$	-	\$	-
Shares issued for debt settlement	\$	112,329	\$	-
Cash (bank indebtedness) consists of:				
Cash on deposit	\$	246,995	\$	30,276
Line of credit		-		(58)
	\$	246,995	\$	30,218

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

Luxor Industrial Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2014

Note 1 Nature and Continuance of Operations

Luxor Industrial Corporation (the "Company") was incorporated on November 29, 1979 under the Business Corporations Act of British Columbia.

The Company, through Western Interlok Systems, Ltd. ("WIS"), the Company's 100% voting controlled subsidiary, manufactures and markets wooden building components including an engineered bridging system, architectural wood products, and other wood products, engages in a stock glulam beam distribution program, and provides a number of specialty cutting services.

The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters can not be predicted at this time. The Company is pursuing its efforts in raising funds from private placements or advances from related parties in order to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. Accordingly, there is substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The registered office if the company is: Suite 702, 889 West Pender St., Vancouver, BC, Canada, V6C 3B2.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 30, 2015.

Note 2 Basis of Preparation

The Company's consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss or available-for-sale assets 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.

The policies applied in these consolidated financial statements are presented in Note 3 and are based on IFRS issued and outstanding as of the date the Board of Directors approved the consolidated financial statements.

Note 3 Significant Accounting Policies

a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. As at December 31, 2014, the Company's subsidiaries and its percentage equity interest in each are as follows:

J.E.J. Holdings Inc.	100%	
Western Interlok Systems Ltd.	100%	voting controlled
Eastern Brake Alert Systems Ltd.	75%	

b) Revenue recognition

Revenue realized from sales of products manufactured by the Company is recognized at the time an order has been shipped, cost is readily determinable, and collection is reasonably assured. Revenue realized from service work is recognized upon performance and when collection is reasonably assured.

	<u>2014</u>	<u>2013</u>
Total service revenue	\$ 1,970,913	\$ 1,568,588
Total sales of goods	828,256	588,415
Total revenue	<u>\$ 2,799,169</u>	<u>\$ 2,157,003</u>

Luxor Industrial Corporation**Notes to the Consolidated Financial Statements**

(Expressed in Canadian Dollars)

December 31, 2014

Note 3 Significant Accounting Policies - (cont'd)c) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost for all inventory is determined on the first-in, first-out method which, for work-in-process and finished goods, includes the cost of material, direct labour, utilities and freight. Other manufacturing overhead has not been applied because it is not considered material.

	<u>2014</u>	<u>2013</u>
Raw material	\$ 16,786	\$ 9,351
Finished goods	54,353	20,422
Work-in-process	-	-
	<u>\$ 71,139</u>	<u>\$ 29,773</u>

d) Foreign currency translation

Monetary assets and liabilities are translated at year-end exchange rates; other assets and liabilities have been translated at the rates prevailing at the date of transaction. Revenue and expense items, except for amortization and depreciation, are translated at the average rate of exchange for the period. Amortization and depreciation are converted using the rates prevailing at the dates of acquisition. Gains and losses from foreign currency translation are included in the consolidated statements of operations.

e) Development expenditures

Certain expenditures related to the development and certification of the Company's improved brace-bridging system were deferred. These deferred costs are being amortized to operations over 15 years.

The carrying amount was determined to be impaired at December 31, 2013 and an impairment charge of \$23,350 was recorded in the consolidated statements of operations and comprehensive income (loss).

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

f) Impairment of non-financial assets

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount 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.

Luxor Industrial Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2014

Note 3 Significant Accounting Policies – (cont'd)

g) Financial instruments

Financial Assets

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Company's cash is classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company has classified accounts receivable as loans-and-receivables. The Company has not classified any financial assets as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has not classified any financial assets as available-for-sale.

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

Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, line of credit, and advances from related parties are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the consolidated statements of operations. The Company has not classified any financial liabilities as FVTPL.

Fair Value Hierarchy

Financial instruments recorded at fair value on the consolidated statements 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:

- i. Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- ii Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly;
- iii. Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of hierarchy for which a significant input has been considered in measuring fair value.

Luxor Industrial Corporation**Notes to the Consolidated Financial Statements**(Expressed in Canadian Dollars)

December 31, 2014

Note 3 Significant Accounting Policies – (cont'd)g) Financial instruments - (cont'd)Fair Value Hierarchy - (cont'd)

The following table outlines the Company's financial assets and liabilities measured at fair value by level with the fair value hierarchy described above.

As at December 31, 2014 the Company's financial instruments measured at fair value by level are as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 246,995	\$ -	\$ -	\$ 246,995

As at December 31, 2013 the Company's financial instruments measured at fair value by level are as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 30,276	\$ -	\$ -	\$ 30,276

Impairment of Financial Assets

The Company assesses at each statement of financial position date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit or loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are written off against the allowance account when they are assessed as uncollectible.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive income (loss) to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

h) Property and equipment

Property and equipment are recorded at cost. The Company provides for depreciation using the following methods at the following annual rates:

Furniture and equipment	20%	per annum
Automobile	30%	per annum
Leasehold improvements	straight-line method over the remaining term of the lease.	

Property and equipment additions are amortized at one-half rates in the year of acquisition.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The rates of depreciation are intended to fully depreciate manufacturing and non-manufacturing assets over their useful lives. These periods are assessed at least annually to ensure that they continue to approximate the useful lives of the related assets.

Luxor Industrial Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2014

Note 3 Significant Accounting Policies – (cont'd)

i) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company has classified its common shares, options, and warrants as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company follows the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component. The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value on the announcement date and the balance, if any, is allocated to the attached warrants.

k) Earnings / Loss per share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. As at December 31, 2014 and 2013, none of the options or warrants were dilutive.

l) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of operations over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of operations over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Luxor Industrial Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2014

Note 3 Significant Accounting Policies – (cont'd)

l) Share-based payments - (cont'd)

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received, unless the fair value of the goods and services received cannot be reasonably measured, in which case they are measured using the equity instruments issued. Expenses are recorded in the consolidated statement of operations. Amounts related to the cost of issuing shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in the reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

m) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in profit or loss in the period in which they are incurred.

n) Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimate

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 assessment of impairment of property and equipment, and the recoverability of accounts receivable.

o) Accounting pronouncements adopted

The following standards have been adopted on January 1, 2014, with no significant impact to the Company's consolidated financial statements.

IAS 32 - 'Financial Instruments: Presentation'

This amendment provides clarification on the application of offsetting rules. These amendments are effective for annual periods beginning on or after January 1, 2014.

Luxor Industrial Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2014

Note 3 Significant Accounting Policies – (cont'd)

o) Accounting pronouncements adopted - (cont'd)

IAS 36 - 'Impairment of Assets'

On May 29, 2013, the IASB made amendments to the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. These amendments are effective for annual periods beginning on or after January 1, 2014.

p) New accounting pronouncements - not yet adopted

The following standard and amendments will be adopted in future reporting periods. The impact of adoption is yet to be assessed.

IFRS 9 - 'Financial Instruments'

This standard introduces new classification and measurement models for the financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change in fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. This standard is effective for reporting periods beginning on or after January 1, 2018.

IFRS 15 'Revenue from Contracts with Customers'

This standard provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2017.

IFRS 2 'Share-based Payment'

These amendments clarify vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition. This standard is effective for reporting periods beginning on or after July 1, 2014.

IAS 24 'Related Party Disclosures'

These amendments clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. This standard is effective for reporting periods beginning on or after July 1, 2014.

Luxor Industrial Corporation**Notes to the Consolidated Financial Statements**(Expressed in Canadian Dollars)

December 31, 2014

Note 4 Property and Equipment

	Furniture & Equipment	Leasehold Improvements	Automobile	Total
Cost as at December 31, 2012	\$ 792,293	\$ 235,088	\$ 5,975	\$ 1,033,356
Additions	13,674	37,068	-	50,742
Disposals	-	-	-	-
Cost as at December 31, 2013	805,967	272,156	5,975	1,084,098
Additions	30,876	-	-	30,876
Disposals	-	-	-	-
Cost as at December 31, 2014	\$ 836,843	\$ 272,156	\$ 5,975	\$ 1,114,974
Depreciation and impairment as at December 31, 2012	\$ (344,345)	\$ (126,382)	\$ (5,975)	\$ (476,702)
Depreciation for the year	(90,957)	(54,666)	-	(145,623)
Disposals	-	-	-	-
Depreciation as at December 31, 2013	(435,302)	(181,048)	(5,975)	(622,325)
Depreciation for the year	(77,220)	(34,166)	-	(111,386)
Disposals	-	-	-	-
Cost as at December 31, 2014	\$ (512,522)	\$ (215,214)	\$ (5,975)	\$ (733,711)
Net book value as at December 31, 2013	\$ 370,665	\$ 91,108	\$ -	\$ 461,773
Net book value as at December 31, 2014	\$ 324,321	\$ 56,942	\$ -	\$ 381,263

Note 5 Share Capitala) Authorized

99,588,750 common shares, without par value

b) Issued

During the year ended December 31, 2014 the Company completed a private placement of 6,000,000 units at \$0.05 per unit. Each unit consists of one common share and one warrant exercisable at \$0.10 per share until November 29, 2015.

In March 2014, the Company completed the shares for debt transaction announced on December 6, 2013 to settle \$280,823 of debt. The Company issued 5,616,460 common shares at a deemed price of \$0.05 per common share. The share price at date of issuance was \$0.02 per share. A total of 5,339,260 common shares for fair value of \$106,785 were issued to insiders, and 277,200 common shares for fair value of \$5,544 were issued to non-arm's length parties. The Company recorded a gain of \$168,494 on the de-recognition of these amounts payable to the related parties and arms length parties.

c) Share purchase warrants

At December 31, 2014, the following share purchase warrants were outstanding entitling the holders the right to purchase one common share for each warrant held:

Warrants	Exercise Price	Expiry Date
6,000,000	\$ 0.10	November 29, 2015

Luxor Industrial Corporation**Notes to the Consolidated Financial Statements**

(Expressed in Canadian Dollars)

December 31, 2014

Note 5 Share Capital - (cont'd)d) Stock-based compensation plan

The Company has established a stock option plan for directors, employees and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the Discounted Market Price policies of the TSX Venture Exchange. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the issued and outstanding common shares. The options can be granted for a maximum term of 10 years.

A summary of the Company's outstanding stock options as of December 31, 2014 and December 31, 2013 and the changes during the years then ended is presented below:

	Number of options	Weighted average exercise price	Weighted average remaining life
Outstanding at December 31, 2012	1,650,000	\$ 0.14	3.76
Options expired/cancelled	(250,000)	(0.14)	
Outstanding and exercisable at December 31, 2013	1,400,000	0.14	2.76
Options expired/cancelled	(250,000)	(0.14)	
Outstanding and exercisable at December 31, 2014	1,150,000	\$ 0.14	1.76

All of the options expire October 5, 2016.

Note 6 Advances From Related Parties

At December 31, 2014, a total of \$897,719 (2013: \$1,258,331), was owed to directors of the Company or companies controlled by directors of the Company, of which \$837,892 (2013: \$921,797) is non-interest bearing with no specific terms of repayment. Details regarding the remaining balances are as follows:

- During the year ended December 31, 2013, the Company agreed to pay 10% interest on loans totalling \$455,000 and 20% interest on \$175,000 provided by one of the director's of the company. The interest is charged on the original principle balance without taking into account any repayments. The cash loan was originally scheduled to be re-paid by September 1, 2013. As at December 31, 2014, this Director was owed \$219,834 (2013 - \$219,834) cash from the company and agreed to accept monthly payments until the interest and principal have been re-paid. Due to cash-flow restraints the Company has deferred all payments against the cash loan to the Director until cash-flow allows. As the agreed upon amount of interest has already been accrued no further interest has been charged or accrued. Interest paid or accrued during the year ended December 31, 2014 was \$NIL (2013 - \$21,292).
- During the year ended December 31, 2013, the Company entered into an agreement with a former director of the Company and a company controlled by a former director of the Company to borrow up to \$100,000 cash deposited in installments as needed from November 1, 2013 through December 31, 2014. The effective interest rate on the loan is 10%. During the year ended December 31, 2014 cash deposits from the loan proceeds totalled \$27,000 (2013: \$73,000). Interest paid or accrued during the year ended December 31, 2014 was \$7,347 (2013: \$1,673). Total interest paid or accrued over the life of the loan was \$9,020. As of December 31, 2014 this cash loan has been paid in full.
- During the year ended December 31, 2014, the Company entered into an agreement with a former director of the Company and a company controlled by a former director of the Company to borrow \$65,000 cash. The effective interest rate on the loan is 10%. Interest paid or accrued during the year ended December 31, 2014 was \$3,792 (2013: \$NIL). Total interest to be paid or accrued over the life of the loan is \$8,320. As of December 31, 2014, \$59,827 (2013: \$NIL) is owing on this loan.
- During the year ended December 31, 2014, a company controlled by a director of the Company provided a cash loan in the amount of \$14,000 (2013: \$7,500), to the Company. The cash loans provided were non-interest bearing and were paid back to the director at face value before the end of the reporting period.

Luxor Industrial Corporation**Notes to the Consolidated Financial Statements***(Expressed in Canadian Dollars)*

December 31, 2014

Note 6 Advances From Related Parties - (cont'd)

e) During the year ended December 31, 2014, a former director of the Company provided cash loans totalling \$56,946 (2013: \$43,700) to the Company. The cash loans provided are non-interest bearing and will be paid back at face value as cash flow allows. As of December 31, 2014, \$7,217 (2013: \$NIL) is owing on these cash loans.

During the year ended December 31, 2013, the Company entered into agreements with a director and a company controlled by the director for the forgiveness of \$526,967 of debt owed by the Company to the related parties in exchange for repayment of \$2. The parties executed mutual release agreement. The Company recorded a gain of \$526,965 on the de-recognition of these amounts payable to the related parties.

Note 7 Related Party Transactions*Key management compensation*

- a) During the year ended December 31, 2014, the Company incurred management fees of \$24,000 (2013 - \$NIL) with a company controlled by a director of the Company.
- b) During the year ended December 31, 2014, the Company incurred consulting fees of \$8,997 (2013 - \$94,891) with a company controlled by a director of the Company. This amount is included in wages and benefits.
- c) During the year ended December 31, 2014, the Company incurred consulting fees of \$24,000 (2013 - \$28,000) with a company controlled by a director of the Company.
- d) During the year ended December 31, 2014, the Company paid or accrued wages and benefits of \$NIL (2013 - \$72,246) to a former director of the Company.
- e) During the year ended December 31, 2014, the Company paid or accrued wages and benefits of \$62,355 (2013 - \$70,242) to a director of the Company.
- f) During the year ended December 31, 2014, the Company paid or accrued wages and benefits of \$53,360 (2013 - \$NIL) to a director of the Company.

Other related party transactions

- g) During the year ended December 31, 2014, the Company incurred consulting fees of \$6,200 (2013 - \$14,500) with a spouse of director of the Company.
- h) During the year ended December 31, 2014, the Company paid \$NIL (2013: \$3,356) to a director of the Company to reimburse the party for the use of a personal credit card for purchases of goods and services for the normal course of operations. The amounts were recorded as interest expense by the Company.

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Note 8 Cost of Sales by Nature

	2014	2013
Automotive	\$ 37,498	\$ 50,064
Change in inventories	(42,607)	74,619
Commissions	24,069	70,331
Direct labour	841,114	668,849
Freight, duty, and brokerage fees	45,165	38,676
Overhead	88,382	73,486
Raw material	598,049	433,900
Rent and utilities	225,264	225,067
Supplies, maintenance and repairs	72,377	116,094
	\$ 1,889,311	\$ 1,751,086

Luxor Industrial Corporation**Notes to the Consolidated Financial Statements**

(Expressed in Canadian Dollars)

December 31, 2014

Note 9 Commitments

The Company has the following premise and vehicle lease payments over the next three years:

2015	\$	132,195
2016		10,684
2017		7,669
	\$	<u>150,548</u>

During the year ended December 31, 2014, disinterested shareholders approved the issuance of up to a total 10,680,000 common shares to a director and/or a company owned by the director of the Company, in settlement of up to \$534,000 debt outstanding. The shares have not been issued as of April 30, 2015.

Note 10 Line of Credit

A line of credit has been authorized by the bank to a maximum of USD \$47,000 and bears interest at the bank's prime rate plus 2.25%. The line of credit is covered by a personal guarantee from one of the directors of the Company. This director was granted 114,285 common shares at a value of \$12,000 as consideration for the guarantee during 2005.

Note 11 Financial Instruments

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the year ended December 31, 2014.

Credit Risk

The Company's credit risk is primarily attributable to cash and accounts receivable and the amount of maximum exposure is their carrying amounts in the consolidated statements of financial position. The Company has no significant concentration of credit risk arising from operations. Accounts receivable consist of sales receivable and GST recoverable.

Accounts receivable	2014	2013
Current	\$ 96,832	\$ 50,551
30 to 60 days	94,961	-
60 to 90 days	1,290	-
90 days and older	64	-
	<u>\$ 193,147</u>	<u>\$ 50,551</u>

Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At December 31, 2014, the Company had the following financial assets and liabilities denominated in a foreign currency:

	US dollars
Cash	\$ 13,608
Accounts payable and accrued liabilities	\$ (430)

US Dollars are translated at \$1.1591

Interest Rate Risk

The Company has cash and line of credit balances at December 31, 2014. The Company has agreed to pay a fixed rate of interest on cash loans provided by a director of the Company and a former director of the Company (note 6).

Luxor Industrial Corporation**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

December 31, 2014

Note 11 Financial Instruments - (cont'd)**Liquidity Risk**

Liquidity risk is defined as the risk that the Company would not be able to meet its financial obligations due to a lack of liquidity. It is managed through diverse financing sources to maintain flexibility and by closely planning operational needs. The Company prepares budgetary and treasury projections to ensure that it will have the funds necessary to meet its obligations. To finance business expansion the Company negotiates financing facilities or issues equity instruments.

During the year ended December 31, 2013, the Company entered into an agreement with a vendor for the forgiveness of \$111,526 of debt owed by the Company to the vendor in exchange for repayment of \$1. The parties executed mutual release agreement. The Company recorded a gain of \$111,525 on the de-recognition of amounts payable to the vendor.

During the year ended December 31, 2014, the Company entered into an agreement with a vendor for the forgiveness of \$158,295 of debt owed by the Company to the vendor in exchange for repayment of \$1. The parties executed mutual release agreement. The Company recorded a gain of \$158,294 on the de-recognition of amounts payable to the vendor.

Note 12 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 development of new wood products. The capital structure of the Company consists of capital stock. 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 uses production to generate cash flows to support the ongoing and longer term strategy focused on developing new products. However, the Company may continue to rely on capital markets to support continued growth. The Company will continue to assess new products if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the year ended December 31, 2014. The Company is not subject to externally imposed capital requirements.

Note 13 Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

December 31,	2014		2013	
Income before income taxes	\$	710,988	\$	12,319
Statutory tax rate		26.00%		25.75%
Income tax (recovery) at statutory rates		184,857		3,172
Non-deductible items for tax purposes		5,201		14,132
Effect of change in statutory tax rates		-		(28,465)
Previously unrecognized deferred tax assets		(190,058)		11,161
	\$	-	\$	-

The significant components of the Company's deferred income tax assets are as follows:

December 31,	2014		2013	
Property and equipment	\$	19,842	\$	100,461
Non-capital losses available for future periods		364,959		472,816
Capital losses available for future periods		4,380		4,380
Cumulative eligible capital		12,598		13,546
Share issue costs		1,793		466
Research and development credits		135,305		135,305
Unrecognized deferred tax assets	\$	538,877	\$	726,974

Luxor Industrial Corporation**Notes to the Consolidated Financial Statements**

(Expressed in Canadian Dollars)

December 31, 2014

Note 13 Income Taxes - (cont'd)

The Company has available non-capital losses which may be carried forward to apply against future income for Canadian tax purposes. Tax benefits have not been recorded due to uncertainty regarding their utilization. The losses expire approximately as follows:

2015	\$	258,000
2026		149,000
2027		230,000
2028		258,000
2029		106,000
2030		68,000
2031		111,000
2032		124,000
2034		99,000
		<u>\$ 1,403,000</u>

Note 14 Subsequent Event

Subsequent to the year ended December 31, 2014 the Company granted 1,500,000 stock options to directors and consultants. 500,000 options granted to directors are exercisable at \$0.14 per share until March 25, 2020 and 1,000,000 options granted to consultants are exercisable at \$0.14 per share until March 25, 2017. The option grant is subject to regulatory approval.