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## **BA BA CAPITAL INC.**

### **Financial Statements**

**For the Quarters Ended June 30, 2015 and 2014**

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#### **Notice of No Review By Auditor**

**In accordance with National Instrument 51-102 Continuous Disclosure of Canadian Securities Administrator, we hereby give notice that our financial statements for the quarter ended June 30, 2015 which follow this notice have not been reviewed by our Auditors.**

**BA BA CAPITAL INC.****Statements of Financial Position****As at June 30, 2015 and 2014****Expressed in Cdn \$****Unaudited - Prepared by Management**

| <b>AS AT</b>                             | <b>30-Jun<br/>2015</b> | <b>31-Dec<br/>2014</b> |
|------------------------------------------|------------------------|------------------------|
|                                          | \$                     | \$                     |
| <b>ASSETS</b>                            |                        |                        |
| <b>Current:</b>                          |                        |                        |
| Cash (note 3)                            | 19,413                 | 219,414                |
| Interest Receivable (note 4)             | 29,372                 | 18,266                 |
| Notes Receivable (note 4)                | 284,443                | 84,443                 |
|                                          | <b>\$333,228</b>       | <b>\$322,123</b>       |
| <b>LIABILITIES</b>                       |                        |                        |
| <b>Current</b>                           |                        |                        |
| Accounts Payable and accrued liabilities | 26,303                 | 20,303                 |
| Loans Payable (Note 5)                   | 0                      | 1,339,356              |
|                                          | <b>26,303</b>          | <b>1,359,659</b>       |
| <b>SHAREHOLDERS' DEFICIENCY</b>          |                        |                        |
| Share capital (Note 6)                   | 3,014,247              | 1,612,510              |
| Deficit                                  | (2,707,322)            | (2,650,046)            |
|                                          | <b>306,925</b>         | <b>(1,037,536)</b>     |
|                                          | <b>\$333,228</b>       | <b>\$322,123</b>       |

**Note 1 - Status of Operations and Going Concern**

The financial statements have been approved by the Board of Directors on August 28, 2015

Jorey Middlestadt Director

David Berkoltz Director

The accompanying notes form an integral part of these financial statements

**BA BA CAPITAL INC.**  
**Statements of Operations**  
**As at June 30, 2015 and 2014**  
**Expressed in Cdn \$**  
**Unaudited - Prepared by Management**

|                                                      | <b>Six Months</b> |                  | <b>Quarter Ended</b> |                  |
|------------------------------------------------------|-------------------|------------------|----------------------|------------------|
|                                                      | <b>30-Jun-15</b>  | <b>30-Jun-14</b> | <b>30-Jun-15</b>     | <b>30-Jun-14</b> |
|                                                      | <b>\$</b>         | <b>\$</b>        | <b>\$</b>            | <b>\$</b>        |
| Interest Income                                      | 11,106            | 3,382            | 5,604                | 1,700            |
| Expenses                                             |                   |                  |                      |                  |
| Interest on related party loans (note 5)             | 62,382            | 61,640           | 28,898               | 31,200           |
| Professional Fees                                    | 4,000             | 4,000            | 2,000                | 2,000            |
| Administrative and General                           | 2,000             | 2,000            | 2,000                | 1,000            |
|                                                      | 68,382            | 67,640           | 32,898               | 34,200           |
| Net Loss and Comprehensive Loss for the quarter      | (57,276)          | (64,258)         | (27,294)             | (32,500)         |
| Loss per Share Basic and Diluted                     | (\$0.003)         | (\$0.004)        | (\$0.002)            | (\$0.002)        |
| Weighted Average number of Common Shares outstanding | 17,062,821        | 16,138,599       | 17,987,043           | 16,138,599       |

The accompanying notes form an integral part of these financial statements

**BA BA CAPITAL INC.**  
**Statements of Cash Flows**  
**As at June 30, 2015 and 2014**  
**Expressed in Cdn \$'**  
**Unaudited - Prepared by Management**

|                                               | <b>Six Months</b> |                  | <b>Quarter Ended</b> |                  |
|-----------------------------------------------|-------------------|------------------|----------------------|------------------|
|                                               | <b>30-Jun-15</b>  | <b>30-Jun-14</b> | <b>30-Jun-15</b>     | <b>30-Jun-14</b> |
|                                               | \$                | \$               | \$                   | \$               |
| Cash provided by (used in):                   |                   |                  |                      |                  |
| <b>OPERATING ACTIVITIES</b>                   |                   |                  |                      |                  |
| Net Loss                                      | (57,276)          | (64,258)         | (27,294)             | (32,500)         |
| Net change in non-cash working capital items: |                   |                  |                      |                  |
| Interest receivable                           | (11,106)          |                  | (5,604)              |                  |
| Accounts payable and accrued liabilities      | 6,000             | 6,000            | 4,000                | 3,000            |
|                                               | (62,382)          | (58,258)         | (28,898)             | (29,500)         |
| <b>FINANCING ACTIVITIES</b>                   |                   |                  |                      |                  |
| Loans Payable                                 | 62,382            | 61,641           | 28,898               | 31,200           |
| Notes Receivable                              | -                 | (3,383)          | -                    | (1,700)          |
|                                               | 62,382            | 58,258           | 28,898               | 29,500           |
| Net Change in cash                            | (0)               | -                | (0)                  | -                |
| Cash, beginning of year                       | 19,413            | 249,270          | 19,413               | 249,270          |
| Cash, end of year                             | \$19,413          | \$249,270        | \$19,413             | \$249,270        |

The accompanying notes form an integral part of these financial statements

**BA BA CAPITAL INC.**  
**Statements of Changes in Equity**  
**As at June 30, 2015 and 2014**  
**Expressed in Cdn \$**  
**Unaudited - Prepared by Management**

|                                  | Number of<br>Shares | Share<br>Capital | Reserves | Deficit            | Total<br>Equity    |
|----------------------------------|---------------------|------------------|----------|--------------------|--------------------|
|                                  |                     | \$               | \$       | \$                 | \$                 |
| Balance January 1, 2013          | 16,138,599          | 1,612,510        | -        | (1,185,251)        | 427,259            |
| Net Earnings (Loss)              |                     |                  |          | (1,348,537)        | (1,348,537)        |
| <b>Balance December 31, 2013</b> | <b>16,138,599</b>   | <b>1,612,510</b> | <b>-</b> | <b>(2,533,788)</b> | <b>(921,278)</b>   |
| Net Earnings (Loss)              |                     |                  |          | (116,258)          | (116,258)          |
| <b>Balance December 31, 2014</b> | <b>16,138,599</b>   | <b>1,612,510</b> | <b>-</b> | <b>(2,650,046)</b> | <b>(1,037,536)</b> |
| Net Earnings (Loss)              |                     |                  |          | (57,276)           | (57,276)           |
| Share Issuance                   | 14,017,370          | 1,401,737        |          |                    |                    |
| <b>Balance June 30, 2015</b>     | <b>30,155,969</b>   | <b>3,014,247</b> | <b>-</b> | <b>(2,707,322)</b> | <b>(1,094,812)</b> |

The accompanying notes form an integral part of these financial statements

**BA BA CAPITAL INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JUNE 30, 2015 AND 2014**

**1. Status of operations and Going concern**

These financial statements have been presented using accounting principles applicable to a going concern, which assumes that Ba Ba Capital Inc. ("the Company") will continue in operation in the foreseeable future and be able to realize assets and satisfy liabilities in the normal course of business.

The company has continued to incur operating losses. As at June 30, 2015 the Company has a working capital deficiency of \$ 6,890 and has incurred losses since inception in the amount of \$ 2,705,548. These financial statements do not include any adjustments to the recoverability and classification of certain recorded asset amounts and classification of certain liabilities that might be necessary if the Company were unable to continue as a going concern. These adjustments may be material. As at June 30, 2015 the Company has no significant cash generating assets and no operating business.

The Company's ability to continue as a going concern is dependent upon the ongoing support of its lenders (Note 5) and being able to fund any continuing operating losses from external sources while it attempts to get reactivated and acquire or start a viable business. Management cannot provide assurance that the Company will ultimately achieve profitable operations, become cash flow positive, or raise additional equity or debt capital. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern

**2. Summary of Significant Accounting Policies**

**Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective or available for early adoption as of June 30, 2015.

**Basis of Preparation**

The financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on anticipations and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision

affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

There have been no judgments made by management in the application of IFRS that have a significant effect on these financial statements.

Financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

## **Financial Instruments**

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held to maturity, loans and receivables, fair value through profit or loss ("FVTPL"), available for sale, FVTPL liabilities or other liabilities.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income (loss) during the period.

Held to maturity assets, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest rate method

Available for sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

The Company has classified its financial instruments as follows:

| <b>Financial Instrument</b>              | <b>Classification</b> |
|------------------------------------------|-----------------------|
| Cash                                     | FVTPL                 |
| Notes receivable                         | FVTPL                 |
| Accounts payable and accrued liabilities | Other liabilities     |

The Company's financial instruments measured at fair value on the balance sheet consist of cash, notes receivable and accounts payable and accrued liabilities. Cash, and accounts payable and accrued liabilities are measured at level 2 of the fair value hierarchy. Notes receivable are measured at level 3. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

## **Impairment**

### **(i) Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

## **Financial Instruments**

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

### **(ii) Financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

## **Comprehensive Income (Loss)**

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments and gains or losses on certain derivative instruments. To date there has not been any other comprehensive income (loss) and accordingly, a statement of comprehensive income (loss) has not been presented.



## **Deferred Taxes**

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income (loss) in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

## **Future Changes in Accounting Policies**

The following standards have been issued but are not yet effective:

*IFRS 9 'Financial Instruments'* ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for the Company beginning on January 1, 2018. Earlier adoption is permitted. .

The Company is currently evaluating the impact of the above standard on its financial performance and financial statement disclosures but expects that such impact will not be material.

## **3. Cash**

The market value of cash is equal to its carrying value.

#### 4. Notes receivable

The notes receivable, as disclosed below, bear interest as noted below, are due on demand, and are unsecured.

|                          | Principal   | Accrued Interest | Interest rate |
|--------------------------|-------------|------------------|---------------|
| Carbacol Inc.            | \$ 956,488  | \$ 83,757        | 5%            |
| 835099 Ontario Ltd       | 275,080     | 23,045           | 5%            |
| Sub-total                | 1,231,568   | 106,802          |               |
| Less: Write-down         | (1,206,567) | (105,735)        |               |
| Balance after write-down | 25,001      | 1,167            |               |
| Imex Systems Inc.        | 200,000     | 8,493            | 10%           |
| Selectcore Limited       | 27,864      | 16,830           | 10%           |
| Ryan Deslippe.           | 20,000      | 3,725            | 12%           |
| Grant White              | 5,000       | 931              | 10%           |
| Compel Capital Inc.      | 6,578       | -                | 0%            |
|                          | \$ 284,443  | \$ 31,096        |               |

The Carbacol Inc. note and the 835099 Ontario Ltd. note had been written down to a nominal amount in the prior year. These entities have interests in mining assets in South America the value of which may be impaired. Currently, the companies are private companies; however, it is their intention to obtain a public listing at a future date. As the collectability of these amounts is indeterminable at the current date they have been provided for at June 30, 2015.

#### 5. Loans payable

The loans payable are to a related party and are subject to the following terms; interest bearing at 10% per annum, unsecured and are repayable on demand. On June 19, 2015 the note was exchanged for 14,017,370 Common Shares of the Corporation.

## 6. Capital Stock

Authorized:

Unlimited Common Shares

Issued – Common Shares:

|                                           | Number of<br>Shares | \$ Amount   |
|-------------------------------------------|---------------------|-------------|
| Balance at December 31, 2014              | 16,138,599          | \$1,612,510 |
| Shares issued pursuant to debt conversion | 14,017,370          | \$1,401,737 |
| Balance at June 30, 2015                  | 30,155,969          | \$3,014,247 |

### Share Purchase Options and warrants:

There are no common share purchase options outstanding under the Company's Stock Option Plan as at June 30, 2015 and 2014.

There are no common share purchase warrants outstanding as at June 30, 2015 and 2014.

## 7. Related party transactions

Other than the loans payable and interest expense on the notes disclosed in Note 5, there are no other related party transactions

## 8. Capital risk management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued common shares and deficit, in the definition of capital.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the quarter ended June 30, 2015.

## 9. Financial risk management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk, credit risk and interest rate risk) and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. This department identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls

and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

**(a) Market risk**

**(i) Currency risk**

The Company currently has no operations and therefore is not exposed to significant foreign currency risk.

**(ii) Credit risk**

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk of the Company at year end is the carrying value of its cash and cash equivalents which at year end was \$nil.

**(iii) Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. Fluctuations in market rates of interest will not have a significant impact on the Company's results of operations due to the fact that its interest bearing loans bear a fixed rate of interest.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company intends to manage its liquidity risk by forecasting cash flows from operations, anticipated investing and financing activities. Senior management will be actively involved in the review and approval of planned expenditures.

As at June 30, 2015, the Company has accounts payable and accrued liabilities of \$ 26,303 due within 12 months and has insufficient cash or cash equivalents to meet its current obligations. As a result, the Company has high liquidity risk at this time. Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future.

## **10. Stock-Based Compensation**

No stock-based compensation has been issued in the quarters ended June 30, 2015 and 2014.

## 11. Income taxes

The Company has non-capital losses of approximately \$862,000 available that may be carried forward and applied against future income for Canadian income tax purposes. The tax effect has not been recorded in these financial statements

The following are the deductible temporary differences for which no deferred tax assets are recognized in the financial statements:

|                                    | 2015    | 2014    |
|------------------------------------|---------|---------|
| Non-capital losses carried forward | 215,000 | 186,000 |

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 25% (2013–25%) to income before income taxes. The reasons for the differences are as follows:

|                                                                      | 2015          | 2014           |
|----------------------------------------------------------------------|---------------|----------------|
| Statutory tax rate                                                   | 25%           | 25%            |
| Expected income tax expense (recovery)                               | \$ (14,000)   | \$ (328,000)   |
| Unused tax losses and tax offset not <u>recognized in tax assets</u> | <u>14,000</u> | <u>328,000</u> |
|                                                                      | \$ -          | \$ -           |