

**SHELBY VENTURES INC.**

**Financial Statements**

**For the Year ended September 30, 2014**

**(Expressed in Canadian Dollars)**

**SHELBY VENTURES INC.**  
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**September 30, 2014**

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## Independent Auditor's Report

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To the Shareholders of  
Shelby Ventures Inc.

We have audited the accompanying financial statements of Shelby Ventures Inc., which comprise the statements of financial position as at September 30, 2014 and 2013 and the statements of operations and comprehensive loss, 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Shelby Ventures Inc. as at September 30, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*(signed) "BDO CANADA LLP"*

Chartered Accountants,

Vancouver, B.C.  
January 27, 2015

**SHELBY VENTURES INC.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	September 30, 2014	September 30, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 572,550	\$ 568,252
Receivable	2,958	4,565
Prepaid expenses	1,804	1,385
<b>Total assets</b>	<b>\$ 577,312</b>	<b>\$ 574,202</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 60,993	\$ 12,703
Due to related parties (Note 7)	40,036	162,595
<b>Total liabilities</b>	<b>101,029</b>	<b>175,298</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	1,255,209	1,157,188
Contributed surplus	235,230	235,230
Deficit	(1,014,156)	(993,514)
<b>Total equity</b>	<b>476,283</b>	<b>398,904</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 577,312</b>	<b>\$ 574,202</b>

Approved and authorized for issue by the Board of Directors on January 27, 2015

***"Tony Ricci"***

Antonio (Tony) M. Ricci, Director

***"Joel Dumaresq"***

Joel Dumaresq, Director

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

**SHELBY VENTURES INC.**  
**Statements of Operations and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	2014	2013
<b>Expenses:</b>		
Administration (Note 7)	\$ 4,964	\$ 1,885
Filing fees	8,920	8,455
Office supplies	7,968	4,095
Professional fees (Note 7)	24,368	16,955
Rent (Note 7)	3,542	1,446
Transfer agent fees	6,936	6,733
Total expenses	<u>(56,698)</u>	<u>(39,569)</u>
<b>Other income:</b>		
Payable written off	-	5,478
Gain on debt settlement	30,488	-
Interest income	5,568	3,183
Total other income	<u>36,056</u>	<u>8,661</u>
<b>Net loss and comprehensive loss for the year</b>	<u>\$ (20,642)</u>	<u>\$ (30,908)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted average number of common shares outstanding</b>	<u>12,777,334</u>	<u>9,761,639</u>

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

**SHELBY VENTURES INC.**  
**Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**  
**Years ended September 30, 2014 and 2013**

	<u>Share Capital</u>				<u>Shareholders' Equity</u>
	<u>Number of Shares</u>	<u>Amount</u>	<u>Contributed Surplus</u>	<u>Deficit</u>	
<b>Balance, October 1, 2012</b>	3,520,387	\$ 534,560	\$ 235,230	\$ (962,606)	\$ (192,816)
Private placement	9,185,714	643,000	-	-	643,000
Share issue costs	-	(20,372)	-	-	(20,372)
Net loss for the year	-	-	-	(30,908)	(30,908)
<b>Balance, September 30, 2013</b>	<b>12,706,101</b>	<b>\$ 1,157,188</b>	<b>\$ 235,230</b>	<b>\$ (993,514)</b>	<b>\$ 398,904</b>
Private placement	2,000,000	\$ 100,000	\$ -	\$ -	\$ 100,000
Share issue costs	-	(1,979)	-	-	(1,979)
Net loss for the year	-	-	-	(20,642)	(20,642)
<b>Balance, September 30, 2014</b>	<b>14,706,101</b>	<b>\$ 1,255,209</b>	<b>\$ 235,230</b>	<b>\$ (1,014,156)</b>	<b>\$ 476,283</b>

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

**SHELBY VENTURES INC.**  
**Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**Years ended September 30, 2014**

	2014	2013
<b>Cash flows used in operating activities:</b>		
Net loss and comprehensive loss for the year	\$ (20,642)	\$ (30,908)
Item not affecting cash		
Gain on debt settlement	(30,488)	-
Payable written off	-	5,478
Accrued interest income	(2,385)	(3,183)
Changes in non-cash working capital items:		
Receivable	3,992	3,563
Prepaid expenses	(419)	(931)
Accounts payable and accrued liabilities	48,290	(40,858)
Due to related parties	(94,050)	1,167
	<b>(95,702)</b>	<b>(65,672)</b>
<b>Cash provided by (used in) financing activities</b>		
Shares issued for cash	100,000	643,000
Cash share issue costs	-	(10,100)
	<b>100,000</b>	<b>632,900</b>
<b>Change in cash during the year</b>	<b>4,298</b>	<b>567,228</b>
<b>Cash, beginning of year</b>	<b>568,252</b>	<b>1,024</b>
<b>Cash, end of year</b>	<b>\$ 572,550</b>	<b>\$ 568,252</b>

**Supplemental disclosure with respect to cash flows (Note 10)**

**SHELBY VENTURES INC.**  
**Notes to Financial Statements**  
**September 30, 2014**

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**1. Nature and Continuance of Operations**

Shelby Ventures Inc. (the "Company") was incorporated under the Business Corporations Act (*British Columbia*) on February 27, 2007. The Company is in the development stage and was originally classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange ("TSXV"). On December 6, 2007, the Company's shares commenced trading on the TSXV.

The Company was required to complete a Qualifying Transaction on or before December 6, 2009, and received an extension from the TSXV setting the new deadline to March 31, 2010. However, this deadline could not be met, and the TSXV halted and then suspended the trading of the Company's shares for failure to complete the Qualifying Transaction by such date. Pursuant to an extraordinary shareholders meeting on May 31, 2010 shareholder approval was obtained to list the Company on the NEX Board of the TSXV. The Company's shares were listed on the NEX Board on July 5, 2010 and the trading symbol changed from "SLY.P" to "SLY.H". The Company completed its reinstatement process and resumed trading on October 6, 2010.

The address of the Company's corporate office and principal place of business is Suite 302, 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7.

**2. Basis of Preparation**

Statement of Compliance

The financial statements for the year ended September 30, 2014 were prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee in effect at September 30, 2014.

These financial statements were authorized for issue by the Board of Directors on January 27, 2015.

Basis of Measurement

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars ("CDN"), which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**3. Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

**3. Summary of Significant Accounting Policies** *(continued)*

i. Financial assets

Financial assets are classified as into the following category based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy is as follows:

*Loans and Receivables*

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

*Impairment on Financial Assets*

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the 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.

ii. Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid.

The Company has classified its financial instruments as follows:

- Cash is classified as loans and receivables.
- Trade payables and accrued liabilities and due to related parties are classified as other liabilities.

(b) Income taxes

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

Deferred tax is recorded 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. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss nor 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 balance sheet date.

**3. Significant Accounting Policies** *(continued)*

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. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

(c) 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's common shares are classified as equity instruments.

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.

(d) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders 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. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(e) Share-based compensation

The Company has a stock option plan as described in Note 6 (e). Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income 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 statement of comprehensive loss/income 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 comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of 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 contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

**3. Significant Accounting Policies** *(continued)*

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.

(f) Application of new and revised Financial Reporting Standards

Effective October 1, 2013, the Company adopted the following new and revised IFRSs that were issued by the IASB.

- Amended standard IFRS 7 Financial Instruments: Disclosures  
The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.
- New standard IFRS 11 Joint Arrangements  
IFRS 11 defines the two types of joint arrangements (joint operations and joint ventures) and outlines how to determine the type of joint arrangement entered into and the principles for accounting for each type of joint arrangement. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years.
- New standard IFRS 13 Fair Value Measurement  
IFRS 13 defines fair value, summarizes the methods of determining fair value and outlines the required fair value disclosures. IFRS 13 is utilized when another IFRS standard requires or allows fair value measurements or disclosures about fair value measurements. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years.
- Amended standard IAS 1 Presentation of Financial Statements  
The amendments to IAS 1 pertain to the number of comparative financial statements required in different circumstances and disclosure required in the statement of comprehensive loss. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.
- Amended standard IAS 32 Financial Instruments: Presentation  
The amendments to IAS 32 clarify the treatment of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

(g) Standards, Amendments and Interpretations Not Yet Effective

The following new standards, amendments and interpretations, that have not been early adopted in these annual financial statements, will or may have an effect on the Company's future results and financial position:

- IFRS 9 Financial Instruments  
IFRS 9, Financial Instruments, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. This standard is effective January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

**3. Significant Accounting Policies** *(continued)*

▪ IAS 24 Related Party Disclosures

The amendments to IAS 24 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. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

▪ IAS 32 Financial Instruments

IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The amendments apply to annual periods beginning on or after January 1, 2014. The change in accounting standard will not have a significant impact on the Company's financial statements.

▪ IFRIC 21 - Levies

The IASB issued IFRIC 21 – Levies (“IFRIC 21”), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“Obligating Event”). IFRIC 21 clarifies that the Obligating Event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The change in accounting standard will not have a significant impact on the Company's financial statements.

**4. Critical Accounting Estimates and Judgments**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

For the years ended September 30, 2014 and 2013 the Company did not need to apply any critical judgments in applying accounting policies that would have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year.

**5. Share Capital**

(a) Authorized

Unlimited common shares without par value.  
Unlimited preferred shares without par value.

(b) Common Shares Issued

During the year ended September 30, 2014, the Company issued 2,000,000 shares at \$0.05 per share for gross proceeds of \$100,000 and incurred \$1,979 in share issue costs.

During the year ended September 30, 2013, the Company issued 9,185,714 shares at \$0.07 per share for gross proceeds of \$643,000 and incurred \$20,372 in share issue costs.

**SHELBY VENTURES INC.**  
**Notes to Financial Statements**  
**September 30, 2014**

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**5. Share Capital** *(continued)*

(c) Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without par value. The holders of the preferred shares are entitled to receive, before any distribution shall be made to holders of Common shares or any other shares of the Company ranking junior to the preferred shares, with respect to repayment of capital the amount required to be paid together with the fixed premium, an amount equal to all accrued and unpaid cumulative dividends. After payment to holders of preferred shares of the amounts payable to them, they are not entitled to share in any further distribution of the property or assets of the Company.

The Company did not issue any preferred shares.

(d) Escrow Shares

As at September 30, 2014, 1,200,002 (2013 – 1,200,002) common shares are held in escrow pending the completion of the Company's QT as required by the British Columbia Securities Commission and the TSXV.

(e) Stock Option Plan

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant.

The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSXV). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Company entering into a Qualifying Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

During the year ended September 30, 2013 86,250 stock options expired unexercised. As at September 30, 2014 Nil (September 30, 2013 – Nil) stock options were outstanding and exercisable.

**6. Income taxes**

Taxation in the Company's operational jurisdiction is calculated at the rate prevailing in its respective jurisdiction. There is no deferred tax charge arising for the Company for the year.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Loss before tax per accounts	\$ (20,642)	\$ (30,908)
Income taxed at local statutory rates- 25.75% (2013 - 25.38%)		
Expected income tax recovery	(5,000)	8,000
Share issuance costs in the year	1,000	5,000
Non-deductible expenses	-	1,000
Effect of increase in statutory rate	-	9,000
Impact of (over) / under provision in prior year	-	(10,000)
Change in unrecognized deferred tax assets	4,000	(13,000)
Income tax	\$ -	\$ -

**SHELBY VENTURES INC.**  
**Notes to Financial Statements**  
**September 30, 2014**

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**6. Income taxes** *(continued)*

Effective September 30, 2014, the British Columbia provincial rate is 11.00%, and the Federal corporate tax is 15.00%.

**Deferred Tax Assets and Liabilities**

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at September 30, 2014 and 2013 are summarized as follows:

	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Non-capital losses	\$ 245,000	\$ 239,000
Un-deducted financing costs	4,000	6,000
Unrecognized deferred tax assets	(249,000)	(245,000)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

As at September 30, 2014, the Company has estimated non-capital losses for Canadian tax purposes of \$943,000, that may be carried forward to reduce taxable income derived in future years, as summarized below.

<b>Year of expiry</b>	<b>Taxable losses</b>
2027	\$ 3,000
2028	187,000
2029	343,000
2030	147,000
2031	84,000
2032	84,000
2033	42,000
2034	53,000
	<u>\$ 943,000</u>

**7. Related Party Transactions**

During the year ended September 30, 2014, the Company incurred \$13,586 (2013 - \$7,419) in professional fees and \$1,979 (2013 - \$10,272) in share issue costs from this company. As at September 30, 2014 amounts payable include \$16,070 (2013 - \$90,488) owed to this firm.

During the year ended September 30, 2014, the Company incurred \$3,542 (2013 - \$1,446) in rent from a company having a director in common. As at September 30, 2014, \$nil (2013 - \$11,552) was payable to this company for rent and advances.

During the year ended September 30, 2014, the Company paid \$2,436 (2013 - \$693) in administration to a company of which an officer of the Company is employee.

As at September 30, 2014, \$23,966 (2013 - \$23,966) was payable to a director and a former director.

These expenditures are measured by the exchange amount which are the amounts agreed upon by the transacting parties. These amounts due to directors are unsecured, do not bear interest and have no fixed repayment terms.

## **8. Financial Instrument and Risk Management**

The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

### a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are compromised of two types of risk: foreign currency risk and interest rate risk.

### b) Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

### c) Interest Rate Risk

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

### d) Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. Potential loss due to credit risk is believed to be minimal.

### e) Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company has not generated any revenue since inception. As at September 30, 2014, the Company has incurred losses since inception and has working capital of \$476,283.

**SHELBY VENTURES INC.**  
**Notes to Financial Statements**  
**September 30, 2014**

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**9. Capital Management**

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisitions and exploration of mineral properties. The Company's primary objectives in managing capital are to:

- Safeguard the entity's ability to continue as a going concern
- Maintain an optimal capital base in order to support the capital requirements of its operations, including growth opportunities and maintaining investor confidence

As at September 30, 2014 the equity of the Company consists of \$476,283 (2013 - \$398,904). 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 is not subject to any externally imposed capital requirements. The Company relies on capital markets to support continued growth. No changes were made to capital management during the years ended September 30, 2014 and 2013.

**10. Supplemental Disclosure with Respect to Cash Flows**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows.

During the year ended September 30, 2014, the following transaction was excluded from the statement of cash flows:

- a) Share issuance costs of \$1,979 were included in due to related parties.

During the year ended September 30, 2013, the following transaction was excluded from the statement of cash flows:

- a) Share issuance costs of \$10,272 were included in due to related parties.

**11. Comparative Financial Statements**

Certain of the comparative figures were reclassified to conform with the presentation in the current year.