ZORRO CAPITAL INC.

(A Capital Pool Corporation)

Financial Statements

August 31, 2014 and 2013

(Expressed in Canadian Dollars)

Index

p | 604.683.3277
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE
555 BURRARD STREET
BOX 243
VANCOUVER, BC V7X 1M9

charlton

charlton & company
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the shareholders of Zorro Capital Inc.

We have audited the accompanying financial statements of Zorro Capital Inc., which comprise the statements of financial position as at August 31, 2014 and the statements of loss and comprehensive loss and changes in equity and cash flows for the year ended August 31, 2014, and a summary of significant accounting policies and other explanatory information for the year then ended.

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.

Auditors' 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 company'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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Zorro Capital Inc. as at August 31, 2014, and its financial performance and cash flows for the year ended August 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 2 in the financial statements, which indicates that the Company has not yet achieved profitable operations and has accumulated losses of $96,953 since inception. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(Signed) "Charlton & Company"

CHARTERED ACCOUNTANTS
Vancouver, BC
December 11, 2014

ZORRO CAPITAL INC.
STATEMENTS OF FINANCIAL POSITION
AS AT AUGUST 31, 2014 AND 2013
(Expressed in Canadian dollars)

	Notes	2014 $	2013 $
ASSETS			
Current assets			
Cash and cash equivalents	*5*	296,274	311,527
Accrued interest		-	1,600
GST receivable		-	8,585
Total assets		296,274	321,712
LIABILITIES			
Current liabilities			
Accounts payable		1,416	2,511
Accrued liabilities		6,000	6,000
Total liabilities		7,416	8,511
SHAREHOLDERS' EQUITY			
Share capital	*6*	327,998	327,998
Share-based payment reserve	*6*	57,400	57,400
Deficit		(96,539)	(72,197)
Total shareholders' equity		288,859	313,201
Total liabilities and equity		296,275	321,712

Nature and continuance of operations *1*
Initial public offering *6*

APPROVED BY THE DIRECTORS:

Signed: ***"Edward Ford"***
Director

Signed: ***"Martin Schultz"***
Director

The accompanying notes form an integral part of these financial statements

ZORRO CAPITAL INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012
(Expressed in Canadian dollars)

	Notes	**2014**	2013
		$	$
Expenses			
General and administration		5,217	5,074
Filing fees		5,200	399
Professional fees		6,202	6,578
Share-based compensation	***6***	-	44,400
Loss before other items		(16,619)	(56,451)
Interest income		1,688	1,600
GST reassessment/write-off		(9,411)	
Net loss and comprehensive loss for the period		**(24,342)**	**(54,851)**
Basic and diluted loss per common share		(0.00)	(0.01)
Weighted average number of common shares outstanding – basic and diluted		5,550,000	4,040,000

The accompanying notes form an integral part of these financial statements

ZORRO CAPITAL INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013
(Expressed in Canadian dollars)

	Notes	**Number of shares**		**Share capital**		**Share-based payment reserve**		**Deficit**	**Total**
Balance at August 31, 2012		**2,000,000**	**$**	**100,000**	**$**	**-**	**$**	**(17,346) $**	**82,654**
Loss for the year		-		-		-		(54,851)	(54,851)
Shares issued for cash	***6***	3,550,000		327,500		-		-	327,500
Share issue costs	***6***	-		(99,502)		13,000		-	(86,502)
Share-based compensation	***6***	-		-		44,400		-	44,400
Balance at August 31, 2013		**5,550,000**	**$**	**327,998**	**$**	**57,400**	**$**	**(72,197) $**	**313,201**
Loss for the year		-		-		-		(24,342)	(24,342)
Balance at August 31, 2014		**5,550,000**	**$**	**327,998**	**$**	**57,400**	**$**	**(96,953) $**	**288,859**

The accompanying notes form an integral part of these financial statements

ZORRO CAPITAL INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013
(Expressed in Canadian dollars)

	Notes	2014 $	2013 $
CASH FLOW USED IN OPERATING ACTIVITIES			
Net loss for the period		**(24,342)**	(54,851)
Changes in non-cash working capital items:			
Share-based compensation	***6***	**-**	44,400
Accounts receivables		**10,185**	(10,185)
Accounts payable and accrued liabilities		**(1,096)**	(8,639)
Net cash used in operating activities		**(15,253)**	(29,275)
CASH FLOW USED IN FINANCING ACTIVITIES			
Proceeds on issuance of common shares	***6***	**-**	327,500
Share issuance costs	***6***	**-**	(86 ,502)
Net cash provided by financing activities		**-**	240,998
Increase (decrease) in cash during the period		**(15,253)**	211,723
Cash and cash equivalents, beginning of period		**311,527**	99,804
Cash and cash equivalents, end of period		**296,274**	311,527
Cash and cash equivalent			
Cash - Bank balance		**21,274**	11,527
Cash equivalent - Term deposit		**275,000**	300,000
		296,274	311,527

The accompanying notes form an integral part of these financial statements

1. NATURE OF OPERATIONS

Zorro Capital Inc. (the "Company") was incorporated under the *Business Corporations Act* (Alberta) on June 18, 2012 and is classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The shares of the Company commenced trading under the symbol "ZOR". The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business, subject to receipt of shareholder approval and acceptance by regulatory authorities, which will meet the definition of a "Qualifying Transaction" ("QT") as defined in Policy 2.4 of the TSX-V. The Company has up to twenty-four months from the date the Company's shares were listed on TSX-V to completing the QT, at which time the TSX-V may suspend or de-list the Company's shares from trading.

The head office of the Company is located at Suite 208 – 828 Harbourside Drive, North Vancouver, British Columbia V7P 3R9 and the registered office is located at Suite 1600, 333 – 7th Avenue SW, Calgary, Alberta T2P 2Z1.

These financial statements have been authorized for issue by the Board of Directors on December 11, 2014

2. GOING CONCERN

These financial statements were prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses which qualifies as QT. Such an acquisition will be subject to regulatory and shareholder approval.

When QT is identified and approved, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. As at August 31, 2014, the Company has accumulated losses of $96,128 (2013 - $72,197) since inception, had no source of operating revenues, expect to incur further losses in the development of its business and has no assurance that it will be able to identify or complete a QT, at which time the TSX venture Exchange may suspend or de-list the Company's shares from trading. The Company's ability to maintain operations may be impaired and accordingly, it may be unable to realize on the carrying value of its net assets. These conditions represent a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

3. BASIS OF PREPARATION

Statement of Compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were approved for issue by the Board of Directors on December 11, 2014.

Basis of Presentation
These financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments classified as financial instruments at fair value through profit or loss, which are measured at their fair value. The financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company. All amounts are rounded to the nearest dollar.

3. BASIS OF PREPARATION – (cont'd)

Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associates assumptions are based on anticipations and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the 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 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.

Estimates
Significant areas of estimation uncertainty considered by management in preparing the financial statements includes the inputs used in accounting for share-based payments in the statement of loss and comprehensive loss and the statement of changes in shareholders' equity (using the Black-Scholes model) including volatility, probable life of options granted, time of exercise of the options and forfeiture rate.

Judgment:
Significant areas requiring management judgment include the following:

- The assessment of the probability of future taxable income in which deferred tax assets can be used, based on the Company's estimates of future profits or losses, adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss.

- The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year. The factors considered by management are disclosed in Note 1.

4. SIGNIFICANT ACCOUNTING POLICIES

a. 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 instruments: 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 receivable, 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 change in fair value recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in active market and whose fair value cannot be reliably measured, which are measured at cost.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash and cash equivalents	FVTPL
Interest receivable	Loans and receivable
Accrued liabilities	Other liabilities

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b. Impairment of financial assets

i) Non-financial assets

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

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 group 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 cost 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 exist. 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 has 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).

c. Share Capital

The proceeds from the exercise of stock options and the purchase of shares are recorded as share capital in the amount for which the option enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on the fair value of the shares.

All professional fees and commissions incurred directly with the issue of the Company's shares are charged directly to share capital.

d. Deferred income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income 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 income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a deferred income tax asset will be recovered, the deferred income tax assets is reduced. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e. Business investigation costs

All costs incurred to identify and evaluate assets or business acquisitions are expensed as incurred.

f. Shared-based payments

The stock option plan allows Company directors, officers and technical consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The board of directors grant such options for periods of up to ten years, with vesting periods determined at its discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. The share based compensation is expensed based on graded vesting. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share purchase options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share purchase options were granted. Forfeiture rates are estimated in advance and are used in the estimate of the share-based expense for the financial statement period.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the nonemployee receives the goods or the services.

g. Comprehensive 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. Other comprehensive income consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. To date there has not been any other comprehensive income.

h. Segment Reporting

The Company operates in a single reportable operating segment as a junior capital pool company.

i. Loss per share

Basic loss per share is computed by dividing the net loss to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average share 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 the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

4. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

Certain new standards, amendments and interpretations have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2014 or later periods that the Company has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Company are:

IFRS 9, Financial Instruments
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". 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. 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 annual periods beginning on or after January 1, 2015.

None of the other new standards, interpretations and amendments, which are effective for the Company's accounting periods beginning after September 1, 2014 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements

5. CASH AND CASH EQUIVALENTS

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the TSX-V policy 2.

Cash and cash equivalents are comprised of cash in banks, unrestricted cash held in lawyer's trust accounts for general purpose and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less, or are fully redeemable with an insignificant risk of change in value. As at August 31, 2014, there is $296,274 (2013 - $311,527) included as cash equivalents.

6. SHAREHOLDERS' EQUITY

a. Authorized Share Capital

Unlimited common shares without par value, unlimited preferred shares without par value

b. Issued Share Capital

Common shares were issued at $0.05 per common share on June 18, 2012 as incorporation shares. During the period ended August 31, 2012, the Company issued 2,000,000 common shares at a price of $0.05 per common share for total proceeds of $100,000

During the year ended August 31, 2014, the Company issued no common shares.

6. SHAREHOLDERS' EQUITY – (cont'd)

c. Initial Public Offering

Pursuant to a letter agreement dated as of August 31, 2012 and accepted on September 4, 2012 (the "Letter Agreement") with PI Financial Corp. (the "Agent"), on November 26, 2012 the Company filed a prospectus for an initial public offering ("IPO" or the "Offering"), pursuant to the policies of TSX-V governing CPCs, in British Columbia and Alberta to sell 3,000,000 common shares at $0.10 per common share for gross proceeds of $300,000.

Effective November 26, 2012 the Company entered into an Agency Agreement with the Agent, whereby the Agent would receive a commission of 10% of the gross proceeds of the Offering, a corporate finance fee of $10,000 and be entitled to a reimbursement of its expenses, including the Agent's legal fees. Upon closing of the Offering the Agent was also granted a non-transferable option ("Agent's Options") to purchase 300,000 common shares at an exercise price of $0.10 per common share, exercisable for a period of 24 months from the date of listing of the common shares on TSX-V.

Effective February 25, 2013 the Offering was closed and the Company's shares became listed on the TSX-V under the symbol "ZOR.P". Gross proceeds to the Company were $300,000 and total share issue costs of $99,502 was incurred. Of this amount, $13,000 was costs associated with the fair value under the Black-Scholes option pricing model (BSM) of the Agent's Options, discussed in the Agent's Options section of this note.

Concurrent with the closing of the Company's IPO, the Company granted 525,000 stock options (the "Incentive Stock Options"), with an exercise price of $0.10 per common share, exercisable for a period of 10 years.

d. Escrowed Securities

Upon closing of the prospectus disclosed in Note 5.b, a total of 2,550,000 shares became subject to a CPC Escrow Agreement. These common shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If the Company does not receive final acceptance of a Qualifying Transaction and is delisted, the shares may be cancelled and proceeds returned to the shareholders.

e. Stock Options

The Company has adopted an incentive stock option plan (the "Option Plan") dated August 31, 2012 which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company and that the number of common shares reserved for issuance pursuant to options granted to all consultants will not exceed 2% of the issued and outstanding common shares within any 12-month period. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

The Company has granted officers and directors share purchase options. These options are granted in accordance with the policies of the regulatory authorities and the Company's Stock Option Plan.

(Expressed in Canadian dollars)

6. SHAREHOLDERS' EQUITY – (cont'd)

e. Stock Options (continued)

	Options	Weighted Average Exercise Price
Outstanding as of August 31, 2012	**-**	**$ -**
Granted	525,000	0.1
Expired / Exercised / Cancelled	-	-
Outstanding as of August 31, 2013 and 2014	**525,000**	**0.1**

As at August 31, 2014, the following stock options were outstanding and exercisable:

Number	Weighted Average Exercise Price	Weighted Average remaining contractual life (years)	Expiry Date
525,000	$0.10	9.5	February 25, 2023

The fair value of each option is estimated on the grant date using the Black-Scholes option valuation model assuming no expected dividends. The assumptions used in calculating fair value are as follows:

	2013
Risk free interest rate	1.86%
Expected life (in years)	10
Expected volatility	87%
Expected dividend yield	0%

For the year ended August 31, 2013, the Company recognized $44,400 in share-based compensation expense, which represents an estimate of the fair value of the options granted during the period. The Company did not incur share-based compensation during the fiscal year ended August 31, 2014.

(Expressed in Canadian dollars)

6. SHAREHOLDERS' EQUITY – (cont'd)

f. Agent's Options

In conjunction with the Company's Initial Public Offering (see Note 6c), the Company issued Agent's Options to purchase 300,000 common shares at an exercise price of $0.10 per common share, exercisable for a period of 24 months from the date of listing of the common shares on TSX-V to the agent. Consistent with TSX-V Policy 2.4, no more than 50% of the aggregate number of shares which can be acquired by the Agent on exercise of the entire options may be sold by the Agent before the completion of a Qualifying Transaction.

	Warrants	Weighted Average Exercise Price
Outstanding as of August 31, 2012	-	$ -
Issued with IPO	300,000	0.1
Expired / Exercised / Cancelled	-	-
Outstanding as of August 31, 2013 and 2014	300,000	0.1

As at August 31, 2014, the following agent's options were outstanding and exercisable:

Number	Weighted Average Exercise Price	Weighted Average remaining contractual life (years)	Expiry Date
300,000	$0.10	1.5	25-Feb-15

The fair value of each option is estimated on the grant date using the Black-Scholes valuation model assuming no expected dividends. The assumptions used in calculating fair value are as follows:

	2014
Risk free interest rate	1.0%
Expected life (in years)	2
Expected volatility	80%
Expected dividend yield	0%

For the year ended August 31, 2014, the Company recorded $nil (2013 - 13,000) as share issuance costs to recognize the share-based compensation expense, which represents an estimate of the fair value of the agent's options granted during the period.

(Expressed in Canadian dollars)

7. INCOME TAXES

a. Provision for current tax

No provision has been made for current income taxes, as the Company has no taxable income for the year ended August 31, 2014

b. Provision for deferred tax

A rate reconciliation of income taxes at the statutory rate is as follows

	2014	2013
Loss before income taxes	**(24,342)**	(54,851)
Substantively enacted federal and provincial tax rate	**26%**	26%
Expected tax recovery	**6,300**	14,000
Tax Effect of:		
Financing cost	**-**	(18,000)
Change in unrecognized deferred tax assets	**(6,300)**	4,000
Deferred income tax expense / (recovery)	**-**	-

Effective August 31, 2014, the Canadian Federal corporate tax rate remained at 15.00% and the British Columbia provincial tax rate remained at 11.00%.

c. Deferred Tax Assets and Liabilities

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probably that sufficient future taxable profit will allow the deferred tax to be recovered:

	2014	2013
	$	**$**
Non capital losses	**20,000**	11,000
Uneducated financing cost	**13,000**	18,000
Unrecognized deferred tax assets	**(33,000)**	(29,000)
Deferred income tax assets	**-**	-

As at August 31, 2014, the Company has estimated non-capital losses for Canadian tax purposes of $77,328 (2012 - $45,097), that may be carried forward to reduce taxable income derived in future years, as summarized below:

Non Capital Canadian tax losses expiring are as follows:

Years of Expiry	Taxable Losses
2032	17,346
2033	27,751
2034	32,231
Total	77,328

8. RELATED PARTY TRANSACTIONS

In 2013, the Company issued 525,000 options, with a fair value of approximately $44,400 to directors and officers of the Company (Note 6).

There are no transactions with related parties during the period ended 2014.

9. FINANCIAL INSTRUMENTS

As at August 31, 2014, the Company's financial instruments consists of cash and cash equivalents and accounts payable and accrued liabilities.

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1:
Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2:
Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3:
Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash and cash equivalents are carried at level 1 fair value measurement. The carrying value of accounts payable and accrued liabilities approximates their fair value due to the current nature of those financial instruments.

a. 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. The Company does not have any financial instruments with any credit risks.

b. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

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. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

d. Foreign Currency Exchange Risk

The Company currently has no significant operations denominated in foreign currencies. Management believes there is no significant foreign currency exchange rate risk.

9. CAPITAL DISCLOSURES

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity, cash and cash equivalents, and accounts receivable as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners. Cash consists of cash held in trust, at a major Canadian chartered bank and is insured by the Canadian Deposit Insurance Corporation (CDIC). The Company is not subject to any capital requirements imposed by a regulator other than the cash restriction disclosed in note 4.

10. NON-CASH TRANSACTIONS

During the year ended August 31, 2014, there was no non-cash transaction.

In 2013, the Company has recorded non-cash Investing and Financing Activities as follows:

a) During the year ended August 31, 2013, 300,000 agents' options valued at $13,000 were issued as compensation regarding the February 25, 2013 Initial Public Offering (Note 5).

b) No non-cash transactions were recorded in the period from incorporation on June 18, 2012 to August 31, 2012.