

Unaudited Condensed Interim Financial Statements of

BRASSNECK CAPITAL CORP.

As at March 31, 2016 and for the three month period ended March 31, 2016

(Expressed in Canadian Dollars)

NOTICE TO READER

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by management, and were not reviewed by the Corporation's independent auditor.

Brassneck Capital Corp.

Condensed Interim Statements of Financial Position

As at	March 31, 2016	December 31, 2015
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents	472,987	274,634
Deferred financing costs	-	63,237
	472,987	337,871
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	16,955	35,222
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	457,371	315,000
Contributed surplus	57,024	-
Deficit	(58,363)	(12,351)
	456,032	302,649
	472,987	337,871

Incorporation and nature of business (Note 1)

The accompanying notes are an integral part of these financial statements

Brassneck Capital Corp.**Condensed Interim Statement of Loss and Comprehensive Loss**

For the three month period ended March 31, 2016

\$

Expenses

Office and administration	244
Professional fees	1,925
Regulatory and filing fees	1,149
Share based payments	42,694
Total expenses	<u>46,012</u>

Net and comprehensive loss (46,012)

**Basic and diluted net loss per
common share (Note 6)** (\$0.017)

The accompanying notes are an integral part of these financial statements

Brassneck Capital Corp.

Condensed Interim Statement of Cash Flows

For the three month period ended March 31, 2016

\$

Cash flows from the following activities:

Operating activities

Net loss and comprehensive loss	(46,012)
Item not affecting cash:	
Share based payments	42,694
Changes in non-cash working capital items:	
Accounts payable and accrued liabilities	<u>(26,297)</u>
	<u>(29,615)</u>

Financing activities

Issuance of share capital	273,900
Share issuance costs	(53,962)
Change in non-cash working capital	
Accounts payable and accrued liabilities	<u>8,030</u>
	<u>227,968</u>

Change in cash 198,353

Cash, beginning of period 274,634

Cash, end of period 472,987

Cash and cash equivalents are comprised of:

Bank balance	22,987
Guaranteed investment certificate	<u>450,000</u>
	<u>472,987</u>

The accompanying notes are an integral part of these financial statements

Brassneck Capital Corp.

Condensed Interim Statement of Changes in Shareholders' Equity

For the three month period ended March 31, 2016

	<u>Share Capital</u>		<u>Contributed</u>		<u>Total</u>
	<u>Common</u> <u>Shares</u>	<u>Amount</u> \$	<u>Surplus</u> \$	<u>Deficit</u> \$	
Common shares issued for cash September 4, 2015	2,100,000	105,000			105,000
Common shares issued for cash October 6, 2015	2,100,000	210,000			210,000
Net loss for the period				(12,351)	(12,351)
As at December 31, 2015	4,200,000	315,000	-	(12,351)	302,649
Common shares issued for cash March 10, 2016	2,739,000	273,900			273,900
Share issue costs		(131,529)	14,330		(117,199)
Share based payments			42,694		42,694
Net loss for the period				(46,012)	(46,012)
As at March 31, 2016	6,939,000	457,371	57,024	(58,363)	456,032

The accompanying notes are an integral part of these financial statements

Brassneck Capital Corp.

Notes to the Condensed Interim Financial Statements
For the three month period ended March 31, 2016

1. Incorporation and Nature of Business

Brassneck Capital Corp. (the “Corporation”) was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on June 18, 2015. The Corporation maintains its head office and registered office at 1900, 520 – 3rd Avenue SW, Calgary, Alberta, T2P 0R3. The Corporation is a Capital Pool Company (“CPC”) as defined pursuant to Policy 2.4 of The TSX Venture Exchange (the “TSXV”).

As a CPC, the proceeds raised by the Corporation 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 sale of securities issued by the Corporation and \$210,000 may be used to cover prescribed costs of issuing common shares or administrative and general expenditures of the Corporation. These restrictions apply until the completion of a Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

The Corporation’s continuing operations are dependent upon its ability to evaluate and negotiate an agreement to acquire an interest in a material asset or business within twenty-four months of listing on the Exchange. There is no assurance that the Corporation will be able to complete a Qualifying Transaction within 24 months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The Exchange may suspend or delist the Corporation’s shares from trading should it not meet these requirements.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon its ability to obtain additional financing. Such an acquisition will be subject to regulatory approval and, if required, shareholder approval.

The Corporation’s common shares commenced trading on the Exchange on March 15, 2016, under the trading symbol “BC.P”.

2. Basis of presentation

Statement of Compliance

These condensed interim financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2015 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”). The significant accounting policies followed in these financial statements are consistent with those applied in the Corporation’s annual audited financial statements for the year ended December 31, 2015.

Brassneck Capital Corp.

Notes to the Condensed Interim Financial Statements
For the three month period ended March 31, 2016

2. Basis of presentation (continued)

Estimates and Judgements

The preparation of the condensed interim financial statements requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are continually evaluated and are based on historical experience and expectations of future events. While judgments and estimates used by the Corporation are believed to be reasonable under current circumstances, actual results could differ. These estimates are made in the year in which the estimates are revised and any future years that are impacted.

The following is the financial statement item which most impacted by estimation uncertainty and critical judgments in applying the accounting policies:

The accounting estimates for share based payments is based on the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Since the Corporation's stock options have characteristics significantly different from those of traded options and since changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Basis of measurement

The financial statements have been prepared on the historical cost basis and are presented in Canadian dollars, which is the Corporation's functional and reporting currency.

There have been no changes in the Corporation's assessment of risk from the use of financial instruments or in the financial risk management policies of the Corporation since December 31, 2015. These condensed interim financial statements are based on and are in compliance with IFRS effective for the three month period ending March 31, 2016 and were approved by the Corporation's Board of Directors on May 26, 2016.

3. Capital management

The Corporation's capital currently consists of common shares. The Corporation defines capital as total equity which was \$456,032 at March 31, 2016 (December 31, 2015 - \$302,649). Its principal source of cash is from the issuance of common shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Corporation does not have any externally imposed capital requirements to which it is subject other than the restriction on the use of cash as referred to in Note 1.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

Brassneck Capital Corp.

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4. Financial instruments

Fair Value

The carrying amount of cash and cash equivalents, and accounts payable and accrued liabilities approximates their fair value due to their short term nature.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2- Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3- Inputs for the asset or liability that are not based on observable market data.

The Corporation's cash and cash equivalents are the only financial assets or liabilities measured using fair value. Cash and cash equivalents are categorized as Level 1 since there are quoted prices in an active market for the instruments.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Corporation places these instruments with a high credit quality financial institution.

Interest Rate Risk

The Corporation maintains cash and fixed rate guaranteed interest certificates ("GIC's") at its banking institution and therefore does not believe interest rate risk to be significant.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs and to meet the Corporation's liabilities.

Brassneck Capital Corp.

Notes to the Condensed Interim Financial Statements
For the three month period ended March 31, 2016

5. Share capital

Authorized Share Capital

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series.

Issued and Outstanding Common Shares

	Number of Shares	Amount (\$)
Issuance of common shares for cash - September 4, 2015	2,100,000	105,000
Issuance of common shares for cash - October 6, 2015	2,100,000	210,000
Balance at December 31, 2015	4,200,000	315,000
Issuance of common shares for cash – March 10, 2016	2,739,000	273,900
Balance at March 31, 2016	6,939,000	588,900

Share Issuance Detail

On September 4, 2015, the Corporation issued 2,100,000 shares at a price of \$0.05 per common share for total gross proceeds of \$105,000.

On October 6, 2015, the Corporation issued 2,100,000 shares at a price of \$0.10 per common share for total gross proceeds of \$210,000.

On March 10, 2016, the Corporation issued 2,739,000 shares at a price of \$0.10 per common share for total gross proceeds of \$273,900 related to the Corporation's initial public offering. The Agent was granted options to acquire an aggregate of 273,900 common shares (the "Agent Options") at an exercise price of \$0.10 per share and expire on March 15, 2018, which is 24 months from the date the common shares were listed on the TSXV.

Escrowed shares

All common shares issued to non-arm's length parties of the Corporation either under the offering or otherwise prior to the Completion of the Qualifying Transaction, will be deposited with the Transfer Agent under the Escrow Agreement. As at March 31, 2016, there were 2,150,000 common shares in escrow which includes all of the 2,100,000 common shares issued on September 4, 2015 offering and 50,000 of the common shares issued on October 6, 2015. The escrowed shares will be released from escrow under the following terms: 10% to be released from the date the Qualifying Transaction bulletin is issued, and 15% to be released every 6 months thereafter.

All common shares acquired on exercise of stock options prior to the completion of a Qualifying Transaction, must also be deposited in escrow and will be subject to escrow.

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Notes to the Condensed Interim Financial Statements

For the three month period ended March 31, 2016

5. Share capital (continued)

In addition, all common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by any person or company who becomes a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain exemptions permitted by the Exchange, all securities of the Corporation held by principals of the resulting issuer, will also be escrowed.

Stock Options

The Corporation has adopted an incentive stock option plan in accordance with the policies of the TSXV (the "Stock Option Plan") which provides that the Board of Directors of the Corporation may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares exercisable for the period of up to ten (10) years from the date of grant. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. If the Director or Officer does not continue with the Corporation after the Qualifying Transaction the options may be exercised from the later of 12 months after completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any common shares acquired pursuant to the exercise of options prior to Completion of the Qualifying Transaction, must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the TSXV.

During the three months ended March 31, 2016 the Corporation issued 575,927 Incentive Options to Directors and Officers of the Corporation with an exercise price of \$0.10 per share and expire on March 17, 2026.

The following is a summary of stock options outstanding at March 31, 2016.

	Number of Options	Exercise Price	Expiry Date
Incentive Options granted	575,937	\$0.10	March 17, 2026
Agent Options granted	273,900	\$0.10	March 15, 2018
	<u>849,837</u>		
Exercisable options	<u>849,837</u>		

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For the three month period ended March 31, 2016

5. Share capital (continued)

As at March 31, 2016 the weighted average remaining contract life and exercise price of the outstanding options is 4.0 years and \$0.10 per share respectively.

The fair value of the options granted was estimated at the date of grant using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Incentive	Agent
Expected stock price volatility	100%	100%
Expected life of options	5 years	2 years
Risk free interest rate	0.74%	0.56%
Expected forfeitures	0%	0%
Expected dividend yield	0%	0%
Fair value per option granted	\$0.074	\$0.052

6. Earnings per share

The weighted average number of common shares outstanding during the three month period was 2,712,176. The weighted average outstanding calculation excludes the 2,150,000 shares held in escrow.