

ACME RESOURCES CORP.

INTERIM CONDENSED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars, Unaudited)

FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

*The attached financial statements have been prepared by Management of
ACME Resources Corp. and have not been reviewed by an external auditor.*

ACME RESOURCES CORP.

INTERIM CONDENSED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars, Unaudited)

FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

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ACME RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars, Unaudited)

| | December 31, 2014 | September 30, 2014 |
|---|----------------------|-----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash (note 11) | \$ 6,174 | \$ 8,687 |
| Deferred transaction costs (note 7) | - | - |
| | <u>\$ 6,174</u> | <u>\$ 8,687</u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities (note 8) | \$ 10,422 | \$ 28,694 |
| Due to Forrester Resources Corp. (note 7) | - | - |
| Due to related party (note 9) | - | - |
| | <u>10,422</u> | <u>28,694</u> |
| SHAREHOLDERS' DEFICIENCY | | |
| SHARE CAPITAL (note 5 (a)) | 325,804 | 260,804 |
| SHARES TO BE ISSUED | - | 28,500 |
| RESERVE FOR SHARE-BASED PAYMENTS (note 5 (b)) | 44,747 | 44,747 |
| ACCUMULATED DEFICIT | <u>(374,799)</u> | <u>(354,058)</u> |
| | (4,248) | (20,007) |
| | <u>\$ 6,174</u> | <u>\$ 8,687</u> |

INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN (note 1)

Approved by the Board:

(Signed) "Paul Ankcorn", Director(Signed) "Brian Cloney", Director

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

ACME RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars, Unaudited)

FOR THE THREE MONTHS ENDED DECEMBER 31

| | 2014 | 2013 |
|---|-------------------|-------------------|
| EXPENSES | | |
| Bank charges | \$ 78 | \$ 100 |
| Corporate development (note 9) | 3,500 | - |
| Regulatory and filing fees (note 9) | 2,825 | 2,985 |
| Consulting fees (note 9) | 5,700 | 2,000 |
| General and administrative | 638 | - |
| Professional fees | 8,000 | - |
| | <u> </u> | <u> </u> |
| NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD | <u>\$ 20,741</u> | <u>\$ 5,085</u> |
| Loss per share: | | |
| Basic and diluted loss per share | <u>\$ 0.006</u> | <u>\$ 0.002</u> |
| Weighted average number of common share outstanding | <u>3,401,950</u> | <u>2,100,950</u> |

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

ACME RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF CHANGES IN DEFICIENCY
(Expressed in Canadian Dollars, Unaudited)

FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

| | Share capital | | Reserve for Share-based payments | Accumulated deficit | Total |
|----------------------------|------------------|-------------------|--|------------------------|--------------------|
| | Shares | Amount | | | |
| Balance, October 1, 2014 | 2,101,950 | \$ 260,804 | \$ 44,747 | (\$ 354,058) | (\$ 20,007) |
| Shares issued | 1,300,00 | 65,000 | | (20,741) | 44,259 |
| Net loss for the period | - | - | - | (46,744) | (46,744) |
| Balance, December 31, 2014 | <u>3,401,950</u> | <u>\$ 325,804</u> | <u>\$ 44,747</u> | <u>(\$ 374,799)</u> | <u>(\$ 4,248)</u> |
| Balance, October 1, 2013 | 2,101,950 | \$ 260,804 | \$ 44,747 | (\$ 334,856) | (\$ 29,305) |
| Net loss for the period | - | - | - | (5,085) | (5,085) |
| Balance, December 31, 2013 | <u>2,101,950</u> | <u>\$ 260,804</u> | <u>\$ 44,747</u> | <u>(\$ 339,941)</u> | <u>(\$ 34,390)</u> |

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ACME RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars, Unaudited)

FOR THE THREE MONTHS ENDED DECEMBER 31

| | 2014 | 2013 |
|---|------------------|-----------------|
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Net loss for the period | (\$ 20,741) | (\$ 5,085) |
| Adjust for changes in working capital balances: | | |
| Increase (decrease) in accounts receivable | - | - |
| Increase (decrease) in deferred transaction costs | - | 10,000 |
| Increase (decrease) in accounts payable and accrued liabilities | <u>(18,272)</u> | <u>12,578</u> |
| Cash provided by (used in) operations | <u>(39,013)</u> | <u>(2,507)</u> |
| CASH PROVIDED BY FINANCING ACTIVITIES: | | |
| Funds advanced from Forrester Resources Corp. | <u>-</u> | <u>2,617</u> |
| Cash provided by financing | <u>36,500</u> | <u>2,617</u> |
| DECREASE IN CASH POSITION | (2,513) | (110) |
| CASH POSITION AT BEGINNING OF THE PERIOD | <u>8,687</u> | <u>64</u> |
| CASH POSITION AT END OF THE PERIOD | <u>\$ 6,174</u> | <u>\$ 174</u> |

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

ACME RESOURCES CORP.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars, Unaudited)

FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

1. INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN:

ACME Resources Corp. (the “Company”) was incorporated by articles of incorporation under *the Business Corporations Act* of Ontario on February 27, 2008. The Company is classified as a Capital Pool Company (“CPC”) for regulatory purposes as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”). As a CPC, the Company’s principal business is to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange (“Qualifying Transaction”). Such a transaction will be subject to shareholder and regulatory approval. The Company is currently searching for potential qualifying transactions. The Company’s principal office is suite 301 – 20 Adelaide Street East, Toronto, Ontario, M5C 2T6.

On January 28, 2010, the Company received final receipts for a prospectus and thereafter began trading on the TSX Venture Exchange (“TSXV”) (Tier 2) as a CPC under the symbol ACY.P. However, as the Company did not complete a Qualifying Transaction within the necessary timeframe, the Company’s listing has been transferred to the NEX board of Exchange (“NEX”). As a CPC listed on NEX, the Company continues to be required to comply with all of the requirements and restrictions in Exchange Policy 2.4.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred significant net losses and negative cash flows from operations in prior years. The Company incurred a net loss of \$20,741 (period ended December 31, 2013 - \$5,085) during the period ended December 31, 2014 and, as of that date the Company’s deficit was \$374,799 (2013- \$339,941). Should the Company be unable to continue as a going concern, the realization of assets may be at amounts significantly less than carrying values. The continuation of the Company as a going concern is dependent on its ability to obtain additional equity capital to finance existing operations, and to ultimately complete a Qualifying Transaction as defined under the policies of the TSX Venture Exchange. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation and complete a Qualifying Transaction. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate.

2. BASIS OF PRESENTATION:

Statement of Compliance-

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company’s most recent annual financial statements for the year ended September 30, 2014. The condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended September 30, 2014.

The financial statements were authorized for issue by the Board of Directors on February 25, 2015.

ACME RESOURCES CORP.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
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FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

2. BASIS OF PRESENTATION (continued):

Basis of Measurement-

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

Critical judgments in applying accounting policies-

The preparation of financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from those estimates.

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates and judgments used in the preparation of these financial statements include, but are not limited to, stock option valuations, going concern assumption, deferred income tax recognition and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditures during the reporting period. Actual results could differ from management's best estimates.

3. SIGNIFICANT ACCOUNTING POLICIES:

INCOME TAXES:

Income tax on the profit or loss for the periods presented 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, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the 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 statement of financial position 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. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and 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 statement of financial position date.

ACME RESOURCES CORP.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

SHARE-BASED PAYMENTS:

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For those options that expire or are forfeited after vesting, the recorded value is transferred to accumulated deficit.

SHARE ISSUE COSTS:

Transaction costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be probable. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations. Agent's options are valued using the Black-Scholes Option Pricing Model.

DEFERRED TRANSACTION COSTS:

The Company defers costs relating to the evaluation of potential qualifying transactions. However, if the Company determines that a specific qualifying transaction should not be concluded, the costs associated with the specific qualifying transaction are charged to operations in the current period.

LOSS PER SHARE:

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. There is no dilution effect for the year as the Company is in a loss position.

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
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FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL INSTRUMENTS:

Financial assets –

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash is classified as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except when there is objective evidence that the asset is impaired. The Company’s accounts receivable are classified as loans and receivables.

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

Financial liabilities –

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

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

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income (loss). At June 30, 2014, the Company has not classified any financial liabilities as FVTPL.

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL INSTRUMENTS (continued):

Impairment of financial assets –

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

a) Assets carried at amortized cost

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

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

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

b) Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss.

Financial instruments recorded at fair value-

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As of June 30, 2014 and September 30, 2013, cash was the Company's only financial instrument that is recorded at fair value on the statements of financial position, which is classified as level 1.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

PROVISIONS

General

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4. CURRENT AND FUTURE ACCOUNTING AND REPORTING CHANGES:

Changes in accounting policies**i) Standards, interpretations and amendments effective for annual periods beginning on or after January 1, 2013***IAS 1 – Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendment requires that items of other comprehensive income must be grouped together into two sections:

- Those that will or may be reclassified into profit or loss
- Those that will not

The Company has adopted the amendment in the presentation of its statement of operations and comprehensive loss. There was no impact on the Company's financial statements resulting from the foregoing change.

IFRS 10 - Consolidated Financial Statements

IFRS replaces the guidance on control and consolidation in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*.

IFRS 10 defines the principle of control, such that the same consolidation criteria will apply to all entities. It lays out three elements of control: 1) power over the investee; 2) rights to variable returns from involvement with the investee; and 3) the ability to use power over the investee to affect the amount of investors' return. Power is the current ability to direct the activities that significantly influence returns. IFRS 10 also provides guidance on participating and protective rights, and brings the notion of "de facto" control within the standard. IFRS 10 does not have any impact on the Company's financial position.

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4. CURRENT AND FUTURE ACCOUNTING AND REPORTING CHANGES (CONTINUED):

Changes in accounting policies (continued)**i) Standards, interpretations and amendments effective for annual periods beginning on or after January 1, 2013 (continued)***IFRS 11 - Joint Arrangements*

IFRS 11 replaces IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities*.

IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement requiring the unanimous consent of the parties sharing control. All parties to a joint arrangement must recognize their rights and obligations from the arrangement. The focus is no longer on the legal structure of the joint arrangement but rather on how the rights and obligations are shared by the joint arrangement parties. IFRS 11 categorizes joint arrangements as joint operations or joint ventures. The standard eliminates the existing policy choice of proportionate consolidation for jointly controlled entities and requires such entities to be accounted for using the equity method.

As the Company does not have joint arrangements, IFRS 11 does not have any impact on its financial position.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 outlines the disclosure requirements for entities reporting under IFRS 10 and IFRS 11. The standard establishes disclosure requirements for entities that have interests in other entities such as associates, joint arrangements and unconsolidated structured entities. The disclosures are to address the nature, risks and financial effects associated with the entity's interests in other entities. Specific disclosures include significant judgments and assumptions made in determining control and entity's involvement with the investees.

IFRS 12 does not have any impact on the Company's financial position.

IFRS 13 - Fair Value Measurement

IFRS 13 sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurement. Its objective is to bring consistency and comparability in fair value measurements and related disclosures through a fair value hierarchy which categorizes the inputs used in the valuation into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities; and the lowest priority to unobservable inputs.

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4. CURRENT AND FUTURE ACCOUNTING AND REPORTING CHANGES (CONTINUED):

Changes in accounting policies (continued)**ii) Standards, interpretations and amendments effective for annual periods beginning on or after January 1, 2014**IAS 36 – Impairment of Assets

In May 2013, the IASB issued limited scope amendments to IAS 36 applicable on a retrospective basis.

The effect of these amendments is as follows:

- Require disclosure of the recoverable amount of an asset or cash generating unit (“CGU”) when an impairment loss has been recognized or reversed
- Require detailed disclosure of how the fair value less cost to dispose has been measured when an impairment loss has been recognized or reversed, including the level of the fair value hierarchy for which the fair value measurement is categorized

The Company does not expect any significant impact on its financial statements from the adoption of these amendments.

iii) Standard effective for annual periods beginning on or after January 1, 2015, with earlier adoption permittedIFRS 9 - Financial Instruments

The standard replaces *IAS 39 Financial Instruments: Recognition and Measurement*. In July 2013, the IASB deferred a mandatory effective date for IFRS 9 pending the finalization of requirements on impairment, classification and measurement.

Under the standard, a financial asset will be classified on the basis of the Company’s business model for managing the financial asset and the related contractual cash flow characteristics. This asset will be initially measured at fair value and subsequently measured at amortized cost or fair value. Gains and losses on investments in the instruments that are not held for trading may be presented in other comprehensive income if so elected at initial recognition.

With the new standard, entities with financial liabilities designated at FVTPL recognize changes in the fair value due to changes in the liability’s credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity. However, if presenting the change in fair value attributable to the credit risk of the liability in OCI would create an accounting mismatch in profit or loss, all fair value movements are recognised in profit or loss.

The Company is in the process of assessing the impact of the above mentioned standards.

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5. SHARE CAPITAL:

a) Common shares:

Authorized:

Unlimited number of common shares

By April 30, 2012, the Company was required to identify, complete and receive final TSXV approval for a Qualifying Transaction ("QT"). As the proposed QT had not been completed, half of the Company's seed shares (750,000 common shares) that were previously subscribed for by the directors were cancelled.

On December 11, 2014, the Company completed a non-brokered private placement financing and issued 1,300,000 common shares for gross proceeds of \$65,000. Cash finders' fees of \$6,500 were paid to eligible finders. A total of 200,000 of the aforementioned shares were issued to a non-arm's length party and therefore are held in escrow pursuant to NEX policy.

Escrowed Shares

As of December 31, 2014, 950,000 (2013- 750,000) common shares are held in escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow following issuance of the Final Exchange Bulletin by the Exchange as to completion of the Qualifying Transaction as defined by Exchange policies, and 15% will be released every six months following the initial release over a period of thirty six months, unless otherwise permitted by the Exchange.

b) Stock options and share-based compensation:

The Company adopted a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V.

Any common shares acquired pursuant to the exercise of options prior to the completion of the qualifying transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

During the year ended September 30, 2010, the Company granted 285,194 fully vested stock options to directors and officers with an exercise price of \$0.20 expiring on January 28, 2020. The estimated fair value of these options is \$0.18 per option. The estimated total fair value of vested stock options during the year ended September 30, 2010 amounted to \$51,592. This amount was expensed as stock-based compensation in the statement of comprehensive loss with a corresponding amount recorded as reserve for share-based payments in shareholders' equity.

Except for the stock options mentioned herein, the Company has not granted or cancelled any stock options. However, following the resignation of one director of the Company on October 1, 2012, and in accordance with the Company's stock option plan, 38,026 stock options expired. Accordingly, the

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5. SHARE CAPITAL (continued):

fair value of the foregoing stock options of \$6,845 was reclassified from reserve for share-based payments to accumulated deficit during fiscal 2014.

b) Stock options and share-based compensation (continued):

As of December 31, 2014, the Company had 247,168 (2013- 247,168) stock options outstanding at an exercise price of \$0.20 expiring January 28, 2020.

c) Warrants:

As of December 31, 2014 and 2013, there were no warrants outstanding.

6. CAPITAL MANAGEMENT:

Capital is comprised of the Company's shareholders' deficiency, which includes share capital, reserve for share-based payments and accumulated deficit. As at December 31, 2014, the Company's shareholders' deficiency was \$4,245 (December 31, 2013 – shareholders' deficiency of \$34,380) and it had no outstanding long-term debt. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long-term.

In order for the Company to continue to evaluate potential qualifying transactions and pay for administrative costs, the Company expects to raise additional amounts externally as needed.

The Company is not exposed to any external capital requirements, other than any minimum listing requirements that may apply. There were no changes in the Company's management of capital during the period ended December 31, 2014.

7. ABANDONED QUALIFYING TRANSACTION:

On June 25, 2014, the Company terminated the proposed qualifying transaction with Forrester Resources Corp. The Company will continue to identify and evaluate businesses and assets with a view of completing a Qualifying Transaction. Accordingly, the deferred transaction costs associated with the proposed Qualifying Transaction were expensed during the period ended June 30, 2014 amounting to \$23,752, in aggregate.

On October 21, 2013, the Company entered into an amalgamation agreement (the "Agreement") with Forrester Resources Corp., a private Yukon precious metals exploration and development corporation ("Forrester") operating in Peru and continually investigating near-term production opportunities within the Americas. Under the terms of the Agreement, Forrester was to amalgamate (the "Transaction") with a new wholly-owned subsidiary of the Company incorporated in the Yukon. Pursuant to the terms of the Transaction, the Company's shares were to be issued to holders of Forrester shares in exchange for all of the issued and outstanding Forrester shares on the basis of 1.5 of the Company's shares for each one

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7. ABANDONED QUALIFYING TRANSACTION (continued):

Forrester share. In addition, Forrester options, warrants and finder's warrants were to be exchanged for the Company's options, warrants and finder's warrants on the same foregoing exchange ratio, with a corresponding adjustment of the exercise price of each such Forrester option and warrant to reflect the exchange ratio.

It was anticipated that prior to the completion of the proposed qualifying transaction, the Company would have changed its name to "Forrester Resources Corp."

In addition, under the terms of the Agreement, a concurrent non-brokered private placement (the "Concurrent Financing") of units of Forrester was to be completed. The minimum gross proceeds amount to \$500,000 and the maximum proceeds amount to \$1,000,000 at a price of \$0.10 per unit consisting of one common share of Forrester and one-half of one share purchase warrant of Forrester, with each whole warrant entitling the holder to acquire one Forrester share for a period of 36 months at an exercise price of \$0.18 per warrant. On a post Transaction basis and in accordance with the above mentioned exchange ratio, the Concurrent Financing will be \$0.06667 per unit, with each unit consisting of 1.5 of the Company's shares and 0.75 of the Company's warrants, with each whole warrant entitling the holder to acquire one of the Company's shares at a price of \$0.12 per share for a 36 month period.

During the period ended June 30, 2014, Forrester entered into an engagement letter with Euro Pacific Canada Inc. which modified the arrangement relevant to the foregoing concurrent financing. The modified arrangement is described below.

During the period ended June 30, 2014, Forrester entered into an engagement letter with Euro Pacific Canada Inc. ("Europac" or the "Agent") in connection with a contemplated best-efforts private placement of units of Forrester (the "Units") for minimum gross proceeds of \$1 million and maximum gross proceeds of \$1.5 million at a price of \$0.20 per Unit (the "Financing").

Each Unit will consist of one Forrester common share (each a "Forrester Share") and one-half common share purchase warrant (each a "Forrester Warrant"), with each whole Forrester Warrant entitling the holder to purchase one Forrester Share at a price of \$0.25 for a period of 36 months (the "Financing").

The Financing was to be completed concurrently with the proposed qualifying transaction.

The Agent was to receive a cash commission of 6% of the gross proceeds from sales pursuant to the Financing to subscribers who were to be placed by the Agent and 1.2% of the gross proceeds from sales to the subscribers not placed by the Agent as a book runner fee. The Agent was to also receive broker's warrants (the "Broker's Warrants"). In the case of Units sold to subscribers placed by Europac, the Agent was to receive the Broker's Warrants to purchase that number of Units equal to 6% of the total number of Units sold pursuant to the Financing. In the case of the Units sold to subscribers not placed by the Agent, the Agent was to receive a number of the Broker's Warrants equal to 1.2% of the number of Units sold pursuant to the Financing. The Broker's Warrants were to be on the same terms as the Units.

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7. ABANDONED QUALIFYING TRANSACTION (continued):

The Transaction was to result in a reverse take-over of the Company by Forrester's shareholders and the listing of the shares of the resulting issuer on the TSX Venture Exchange (the "TSXV"). The Transaction was to constitute the qualifying transaction of the Company pursuant to the Policy 2.4 of the TSXV Corporation Finance Manual.

The Company's shares are currently halted and the Company anticipates they will remain halted until certain documentation can be provided to the TSXV regarding the abandoned proposed Transaction.

The above mentioned transactions were subject to the satisfaction of a number of conditions, including the completion of the above mentioned private placement, regulatory approval, and other conditions customary for a Qualifying Transaction.

On November 21, 2013, Forrester completed a non-brokered private placement consisting of 6,093,575 pre Transaction units of Forrester at a price of \$0.08 per unit, for total aggregate gross proceeds of \$487,486. Each unit is comprised of one common share of Forrester and one-half of one common share purchase warrant, with each warrant exercisable for a period of 36 months from the date of issuance into one common share at a price of \$0.18 per warrant. The completion of the foregoing transaction was not a condition of closing the Transaction.

A finder's fee of 6% cash commission and a 6% finder's warrant exercisable for a 12 month period of the same terms of the above mentioned units, were paid to eligible finders.

The net proceeds raised through the November 21, 2013 private placement, were to be used for expenses related to the completion of the Transaction and the advancement of Forrester's mineral property interests, and general working capital purposes.

During the period ended June 30, 2014, Forrester Resources Corp. advanced \$41,417 to fund corporate costs relevant the proposed qualifying transaction and the ongoing costs related to running a public company. The advances bear no rate of interest and have no specified repayment terms.

8. FINANCIAL RISK FACTORS:

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk -

The Company's credit risk is primarily attributable to cash included in current assets. The Company has no material concentration of credit risk arising from operations. Cash consist of deposits held with a Chartered Canadian bank, from which management believes the risk of loss is remote. Management believes that credit risk with respect to receivables is minimal.

Liquidity risk -

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company currently has current liabilities of \$10,422 (December 31, 2013 -

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8. FINANCIAL RISK FACTORS (continued):

\$44,564) and current assets of \$6,174 (December 31, 2013 - \$10,174). The Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The ability of the Company to continue to pursue potential qualifying transactions and remedy its working capital deficiency is dependent on its ability to secure additional equity or debt financing.

Market risk -

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

i) Interest rate risk

The Company has cash balances and no interest bearing debt. The Company is not exposed to any significant interest rate risk.

ii) Foreign currency risk

The Company does not have assets or liabilities denominated in foreign currencies and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

9. RELATED PARTY TRANSACTIONS:

Transactions with related parties are incurred in the normal course of business.

Related party transactions are disclosed below, unless they have been disclosed elsewhere in the financial statements.

During the three months ended December 31, 2014, consulting fees for corporate management and administrative services in the amount of \$5,500 (2013- \$2,000) were charged by the Chief Executive Officer of the Company.

The Company's key management personnel has the authority and responsibility for planning, directing and controlling the activities of the Company and consists of its Directors, Chief Executive Officer and Chief Financial Officer. Total compensation paid to the Company's key management personnel during the three months ended December 31, 2014 was \$5,500 (2013- \$2,000). No share based-payments, post-employment or other long-term benefits were incurred with respect to key management personnel in respect of the forgoing periods.

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10. SEGMENTED INFORMATION:

The Company's principal business is the identification and evaluation of companies, assets or businesses with a view to completing a Qualifying Transaction in accordance with Policy 2.4 of the Exchange. All of the Company's assets and expenses are in Canada.

11. CASH:

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets of businesses for future investment, with the exception that the lesser of 30% of the gross proceeds and \$210,000 may be used to cover prescribed costs of issuing the common shares, other than Agent Commissions and fees, and general and administrative expense of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

As at December 31, 2014, the Company had exceeded the limit. There are potential implications associated with exceeding this limit; however, at this time the Exchange has decided not to take any action against the Company.

12. INCOME TAXES:

(a) The Company's provision for income taxes differ from the amounts computed by applying the basic current tax rates to loss for the year before taxes, as shown in the following table:

| | 2014 | 2013 |
|---|--------------|---------------|
| Loss before income taxes | (\$ 19,202) | (\$ 19,488) |
| Expected combined statutory income tax rate | <u>26.5%</u> | <u>26.5%</u> |
| Income tax benefit at the combined Canadian statutory rate | (5,089) | (5,164) |
| Items not deductible for tax purposes | 79 | 969 |
| Deductible share issue cost and cumulative eligible capital | (3,594) | (6,071) |
| Tax benefits not recognized | <u>8,604</u> | <u>10,266</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

(b) The tax effects of temporary differences that give rise to deferred income tax assets at December 31, 2014 and December 31, 2013 are as follows:

| | 2014 | 2013 |
|---------------------------------------|-------------------|-------------------|
| Deferred income tax assets: | | |
| Non-capital loss carry forward | \$ 110,419 | \$ 101,815 |
| Share issue costs | - | 3,539 |
| Cumulative eligible capital | 734 | 789 |
| Less: assets not recognized | <u>(111,153)</u> | <u>(106,143)</u> |
| Deferred income tax assets recognized | <u>\$ -</u> | <u>\$ -</u> |

(c) The Company has Canadian non-capital losses of approximately \$416,677 that are available to

reduce income otherwise taxable in future years. These losses if not used will expire as follows:

| | | |
|------|----|-------------------|
| 2028 | \$ | 1,689 |
| 2029 | | 3,669 |
| 2030 | | 52,018 |
| 2031 | | 88,379 |
| 2032 | | 199,714 |
| 2033 | | 38,740 |
| 2034 | | <u>32,468</u> |
| | | <u>\$ 416,677</u> |

(d) During 2014, the Company paid \$nil (2013 - \$nil) in respect of income taxes.