

ACME RESOURCES CORP.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

January 30, 2017

ACME RESOURCES CORP.
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FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ACME Resources Corp.

We have audited the accompanying financial statements of ACME Resources Corp., which comprise the statements of financial position as at September 30, 2016 and September 30, 2015, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years ended September 30, 2016 and September 30, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditors' 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 Company'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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ACME Resources Corp. as at September 30, 2016 and September 30, 2015, and its financial performance and its cash flows for the years ended September 30, 2016 and September 30, 2015 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to these financial statements which describes the material uncertainties that may cast significant doubt about ACME Resources Corp.'s ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Professional Accountants
January 30, 2017
Toronto, Ontario

ACME RESOURCES CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

SEPTEMBER 30

ASSETS

	2016	2015
CURRENT		
Cash (note 11)	\$ <u>903</u>	\$ <u>-</u>
	<u>\$ 903</u>	<u>\$ -</u>

LIABILITIES

CURRENT		
Bank overdraft (note 5)	\$ -	\$ 2,242
Accounts payable and accrued liabilities	<u>37,751</u>	<u>21,309</u>
	<u>37,751</u>	<u>23,551</u>

SHAREHOLDERS' DEFICIENCY

SHARE CAPITAL (note 6 (a))	351,304	317,504
SHARES TO BE ISSUED (note 6 (c))	20,000	20,000
RESERVE FOR SHARE-BASED PAYMENTS (notes 6(b))	44,747	44,747
ACCUMULATED DEFICIT	(<u>452,899</u>)	(<u>405,802</u>)
	(<u>36,848</u>)	(<u>23,551</u>)
	<u>\$ 903</u>	<u>\$ -</u>

INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN (note 1)
SUBSEQUENT EVENTS (note 14)

Approved by the Board:

_____ , Director
 "Paul Ankcorn"

_____ , Director
 "Brian Cloney"

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

ACME RESOURCES CORP.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

FOR THE YEARS ENDED SEPTEMBER 30

	2016	2015
EXPENSES		
Corporate development (note 9)	\$ 7,239	\$ 5,526
Consulting fees (note 9)	1,500	18,900
Office, general and administration	828	412
Professional fees	23,397	14,217
Regulatory, filing and transfer agent fees	<u>14,133</u>	<u>12,689</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ 47,097</u>	<u>\$ 51,744</u>
Basic and diluted loss per common share	<u>\$ 0.01</u>	<u>\$ 0.02</u>
Weighted average number of common shares outstanding – basic and diluted	<u>4,023,320</u>	<u>2,391,950</u>

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

ACME RESOURCES CORP.

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	Share capital		Shares to be issued	Reserve for share-based payments	Accumulated deficit	Total
	Shares	Amount				
Balance, October 1, 2015	3,401,950	\$ 317,504	\$ 20,000	\$ 44,747	(\$ 405,802)	(\$ 23,551)
Shares issued or to be issued pursuant to private placements (note 6)	550,000	27,500	7,500	-	-	35,000
Shares issued or to be issued for consulting and legal services (note 6)	150,000	7,500	(7,500)	-	-	-
Share issue cost (note 6)	-	(1,200)	-	-	-	(1,200)
Net loss for the year	-	-	-	-	(47,097)	(47,097)
Balance, September 30, 2016	4,101,950	\$ 351,304	\$ 20,000	\$ 44,747	\$ 452,899	(\$ 36,848)
Balance, October 1, 2014	2,101,950	\$ 260,804	\$ 28,500	\$ 44,747	(\$ 354,058)	(\$ 20,007)
Shares issued or to be issued pursuant to private placements (note 6)	1,250,000	62,500	(16,000)	-	-	46,500
Shares issued or to be issued for consulting and legal services (note 6)	50,000	2,500	7,500	-	-	10,000
Share issue cost (note 6)	-	(8,300)	-	-	-	(8,300)
Net loss for the year	-	-	-	-	(51,744)	(51,744)
Balance, September 30, 2015	3,401,950	\$ 317,504	\$ 20,000	\$ 44,747	(\$ 405,802)	(\$ 23,551)

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

ACME RESOURCES CORP.
 STATEMENTS OF CASH FLOWS
 (Expressed in Canadian Dollars)
 FOR THE YEARS ENDED SEPTEMBER 30

	2016	2015
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss for the year	(\$ 47,097)	(\$ 51,744)
Deduct items not affecting cash:		
Non-cash consulting and legal fees	-	10,000
Net change in working capital balance:		
Increase (decrease) in accounts payable and accrued liabilities	<u>16,442</u>	<u>(7,385)</u>
Cash used in operations	<u>(30,655)</u>	<u>(49,129)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Proceeds from issuance of common shares	15,000	30,000
Proceeds from shares to be issued	20,000	12,500
Share issue cost	<u>(1,200)</u>	<u>(4,300)</u>
Cash provided by financing	<u>33,800</u>	<u>38,200</u>
INCREASE (DECREASE) IN CASH	3,145	(10,929)
CASH AT BEGINNING OF THE YEAR	<u>(2,242)</u>	<u>8,687</u>
CASH (BANK OVERDRAFT) AT END OF THE YEAR	<u>\$ 903</u>	<u>(\$ 2,242)</u>
Supplementary disclosure of non-cash items:		
Shares issued or to be issued for legal and consulting services	<u>\$ -</u>	<u>\$ 10,000</u>

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

ACME RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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 200 – 20 Adelaide Street East, Toronto, Ontario, M5C 2T6.

On January 28, 2010, the Company’s shares began trading on the Exchange (Tier 2) as a CPC under the symbol ACY.P, and on May 2, 2012, the Company’s shares moved to the NEX board of the 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. Subsequent to September 30, 2016, the Exchange commenced a review of the compliance of certain prior year’s expenditures of the Company with certain restrictions outlined in Policy 2.4. As well the Exchange is reviewing certain share issuances by the company for compliance with certain restrictions on the issue of shares as set out by the Exchange. This review is ongoing and the impact is indeterminable.

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 \$47,097 (year ended September 30, 2015- \$51,744) during the year ended September 30, 2016 and, as of that date the Company’s deficit was \$452,899 (September 30, 2015- \$405,802). 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, the satisfactory completion of the review being conducted by the Exchange, and to ultimately complete a Qualifying Transaction as defined under the policies of the TSX Venture Exchange. 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. Such adjustments could be material.

2. BASIS OF PRESENTATION:

Statement of Compliance-

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements were authorized for issue by the Board of Directors on January 30, 2017.

Basis of Measurement-

The financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All amounts are presented in Canadian dollars, which is also the Company’s functional currency.

ACME RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

2. BASIS OF PRESENTATION (continued):

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, common share valuations issued for services, stock option and warrant valuations, the going concern assumption and deferred income tax recognition. 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 asset and 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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

ACME RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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.

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. The 750,000 shares held in escrow as of September 30, 2016 have been excluded from the weighted average number of shares because they are contingently returnable.

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.

ACME RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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.

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 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). The Company’s bank overdraft is classified as financial liabilities as FVTPL.

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.

ACME RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS
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FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL INSTRUMENTS (continued):

Impairment of financial assets (continued)–

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 September 30, 2016 and September 30, 2015, 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.

The fair value of the bank overdraft and accounts payable and accrued liabilities approximate their carrying values due to their relative short-term maturities.

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.

ACME RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

4. CURRENT AND FUTURE ACCOUNTING AND REPORTING CHANGES:

Effective for annual periods beginning on or after January 1, 2018

IFRS 9, Financial Instruments – Classification and Measurement, is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The Company has not early adopted these revised standards and none of these standards are expected to have a material effect on the financial statements

5. BANK OVERDRAFT:

The Company has overdraft protection of up to \$3,500 (2015 - \$3,000). The overdraft balance is subject to an annual interest rate of 21%.

6. 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.

Escrowed Shares

As of September 30, 2016, 750,000 (September 30, 2015- 750,000) common shares are held in escrow. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. 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.

If the Company does not complete a Qualifying Transaction, the escrowed shares will not be released from escrow and if the Company de-listed, the shares will be cancelled.

ACME RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

6. SHARE CAPITAL (continued):

Shares issued for cash

On December 12, 2014, the Company issued 1,250,000 common shares for gross proceeds of \$62,500. In connection with the private placements, cash finders fees of \$8,300 were paid to an eligible finder. 650,000 of the foregoing common shares were issuable at September 30, 2014 for cash proceeds received of \$32,500.

On November 11, 2015, the Company issued 550,000 common shares for gross proceeds of \$27,500. In connection with the private placements, cash finders fees of \$1,200 were paid to an eligible finder. 250,000 of the foregoing common shares were issuable at September 30, 2015 for cash proceeds received of \$12,500 (see note 6(c) for additional information relevant to shares to be issued).

Shares issued for consulting services

On December 12, 2014, the Company issued 50,000 common shares to an officer and director of the Company with a fair value of \$2,500. The 50,000 common shares were valued using the most recent sale of common shares for cash to an arms length party, which management considers to approximate fair value, as the fair value of the service was not reliably determinable.

On November 11, 2015, the Company issued 150,000 common shares, for consulting and legal services, with a fair value of \$7,500. The 150,000 common shares were valued using the most recent sale of common shares for cash to an arms length party, which management considers to approximate fair value, as the fair value of the service was not reliably determinable. The foregoing common shares were issuable at September 30, 2015 and issued in 2016.

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.

As of September 30, 2016, the Company had 247,168 (2015- 247,168) stock options outstanding at an exercise price of \$0.20 expiring January 28, 2020.

c) Shares to be issued:

As of September 30, 2016

As of September 30, 2016, the Company was committed to issue 400,000 common shares by way of subscription agreements for cash proceeds received of \$20,000. These shares were issued in 2016 (see note 14 for shares issued subsequent to year-end).

ACME RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS
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FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

6. SHARE CAPITAL (continued):

As of September 30, 2015

As of September 30, 2015, the Company was committed to issue 250,000 common shares by way of subscription agreements for cash proceeds received of \$12,500. In addition, the Company was committed to issued 150,000 common shares for consulting and legal services incurred in 2015. These shares were issued in 2016.

d) Warrants:

As of September 30, 2016 and 2015, there were no warrants outstanding.

7. CAPITAL MANAGEMENT:

Capital is comprised of the Company's shareholders' deficiency, which includes share capital, shares to be issued, reserve for share-based payments and accumulated deficit. As at September 30, 2016, the Company's shareholders' deficiency was \$36,848 (September 30, 2015 - shareholders' deficiency of \$23,551) 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 year ended September 30, 2016.

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 was primarily attributable to cash included in current assets. The Company has no material concentration of credit risk arising from operations. Cash consisted 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. The Company's maximum exposure to credit risk is its cash balance of \$903 (September 30, 2015 - \$nil) as of September 30, 2016.

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 \$37,751 (September 30, 2015 - \$23,551) and current assets of \$903 (September 30, 2015 - \$nil). 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.

ACME RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

8. FINANCIAL RISK FACTORS (continued):

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.

There were no changes in the Company's approach to risk during the year ended September 30, 2016.

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.

The Company's key management personnel have 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 year ended September 30, 2016 was \$nil (2015- \$11,700). No share based-payments, post-employment or other long-term benefits were incurred with respect to key management personnel in respect of the foregoing years.

Corporate development costs in the amount of \$3,500 were reimbursed to a director during 2016 (2015 - \$nil)

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 September 30, 2016 and 2015, the Company had exceeded the limit. There are potential implications associated with exceeding this limit (see Note 14).

ACME RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS
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FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

12. ABANDONED QUALIFYING TRANSACTION:

On October 5, 2015, the Company entered into a letter of intent (the “Arrangement”) with Hantian Labs Ltd. (“Hantian”), a private company in anti-ageing and vitality nutraceutical products.

The proposed transaction was abandoned during 2016.

13. 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:

	2016	2015
Loss before income taxes	(\$ 47,097)	(\$ 51,744)
Expected combined statutory income tax rate	<u>26.5%</u>	<u>26.5%</u>
Income tax benefit at the combined Canadian statutory rate	(12,481)	(13,712)
Items not deductible for tax purposes	959	732
Deductible share issue cost and cumulative eligible capital	(551)	(491)
Tax benefits not recognized	<u>12,043</u>	<u>13,471</u>
	<u>\$ -</u>	<u>\$ -</u>

- (b) The tax effects of temporary differences that give rise to deferred income tax assets at September 30, 2016 and September 30, 2015 are as follows:

	2016	2015
Deferred income tax assets:		
Non-capital loss carry forward	\$ 135,963	\$ 123,891
Share issue costs	1,574	1,760
Cumulative eligible capital	635	683
Less: assets not recognized	<u>(138,172)</u>	<u>(126,334)</u>
Deferred income tax assets recognized	<u>\$ -</u>	<u>\$ -</u>

- (c) The Company has Canadian non-capital losses of approximately \$513,000 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 – \$32,468; 2035 – \$50,835; 2036 - \$45,554.

- (d) During 2016, the Company paid \$nil (2015 - \$nil) in respect of income taxes.

14. SUBSEQUENT EVENTS:

- (a) On December 28, 2016, the company issued 1,899,000 common shares for gross proceeds of \$47,475.
- (b) Subsequent to year end the Exchange commenced a review on the company’s compliance with certain requirements and restrictions in conjunction with Policy 2.4 of the Exchange (see note 1).