
**SURREY CAPITAL CORP.
FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

SURREY CAPITAL CORP.

FINANCIAL STATEMENTS

AUGUST 31, 2014 AND 2013

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Management's Responsibility

To the Shareholders of Surrey Capital Corp.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards (“**IFRS**”) that have been incorporated into Canadian Generally Accepted Accounting Principles (“**CGAAP**”) and ensuring that all information in the management discussion and analysis is consistent with these financial statements. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors (“**Board**”) is composed primarily of directors who are neither management nor employees of Surrey Capital Corp. and the Audit Committee is comprised entirely of directors that are neither management nor employees. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and with the external auditors. The Board is also responsible for recommending the appointment of the external auditor of Surrey Capital Corp.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board, Audit Committee, and management to discuss their audit findings.

/s/ “Claude Ayache”
Claude Ayache
Chief Executive Officer

Toronto, Ontario
October 27, 2014

Independent Auditors' Report

To the shareholders of Surrey Capital Corp.:

We have audited the accompanying financial statements of Surrey Capital Corp., which comprise the statements of financial position as at August 31, 2014 and 2013, the statements of operations and comprehensive loss, statements of shareholders' equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Surrey Capital Corp. as at August 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



October 27, 2014
Toronto, Canada

Chartered Professional Accountants
Licensed Public Accountants

SURREY CAPITAL CORP.
STATEMENTS OF FINANCIAL POSITION
(All Amounts are in Canadian Dollars)

As at August 31,

2014

2013

ASSETS

CURRENT

Cash and cash equivalents	\$ 277,206	\$ 410,067
Sundry receivables (Note 5)	5,771	5,718
Prepaid expenses	<u>1,733</u>	<u>1,733</u>
	284,710	417,518
Investment in exploration and evaluation assets (Note 6)	<u>---</u>	<u>37,567</u>
	<u>\$ 284,710</u>	<u>\$ 455,085</u>

LIABILITIES

CURRENT

Accounts payable and accrued liabilities (Note 7)	\$ 7,146	\$ 6,756
Convertible debentures (Note 8)	<u>---</u>	<u>71,603</u>
	<u>7,146</u>	<u>78,359</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 9)

Issued and Outstanding		
August 31, 2014 and 2013 - 7,628,000	506,386	506,386
CONTRIBUTED SURPLUS (Note 10)	33,256	33,256
ACCUMULATED DEFICIT	<u>(262,078)</u>	<u>(162,916)</u>
	<u>277,564</u>	<u>376,726</u>
	<u>\$ 284,710</u>	<u>\$ 455,085</u>

Nature of Organization (Note 1)
Contingency (Note 12)

Approved on behalf of the board of directors:

/s/ "Joseph Rauhala"
Joseph Rauhala, Director

/s/ "Elliott Jacobson"
Elliott Jacobson, Director

SURREY CAPITAL CORP.
STATEMENTS OF SHAREHOLDERS' EQUITY
(All Amounts are in Canadian Dollars)

	Number of Common Shares	Amount of Common Shares	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
Balance, September 1, 2012	7,428,000	\$ 496,386	\$ 28,273	\$ (86,120)	\$ 438,539
Issuance of common shares for exploration and evaluation assets	200,000	10,000	---	---	10,000
Conversion feature of the convertible debenture and warrants	---	---	4,748	---	4,748
Vesting of incentive stock options	---	---	235	---	235
Net loss for the year	---	---	---	(76,796)	(76,796)
Balance, August 31, 2013	<u>7,628,000</u>	<u>\$ 506,386</u>	<u>\$ 33,256</u>	<u>\$ (162,916)</u>	<u>\$ 376,726</u>
Balance, August 31, 2013	7,628,000	\$ 506,386	\$ 33,256	\$ (162,916)	\$ 376,726
Net loss for the period	---	---	---	(99,162)	(99,162)
Balance, August 31, 2014	<u>7,628,000</u>	<u>\$ 506,386</u>	<u>\$ 33,256</u>	<u>\$ (262,078)</u>	<u>\$ 277,564</u>

SURREY CAPITAL CORP.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
 (All Amounts are in Canadian Dollars)

For the Period from September 1, To August 31,	2013 2014	2012 2013
EXPENSES		
General and administrative (Note 13)	50,530	\$ 44,894
Business development (Note 14)	<u>2,914</u>	<u>1,958</u>
LOSS BEFORE UNDERNOTED	(53,444)	(46,852)
INTEREST EXPENSE	(12,148)	(6,076)
INTEREST INCOME	3,997	4,302
PROJECT ANALYSIS COSTS	---	(28,170)
WRITE DOWN OF EXPLORATION PROPERTY (Note 6)	<u>(37,567)</u>	<u>---</u>
NET LOSS AND COMPREHENSIVE LOSS	<u>\$ (99,162)</u>	<u>\$ (76,796)</u>
NET LOSS PER COMMON SHARE		
Loss per common share – basic and diluted	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Weighted average number of common shares outstanding – basic and diluted	<u>7,628,000</u>	<u>7,521,956</u>

SURREY CAPITAL CORP.
STATEMENTS OF CASH FLOWS
(All Amounts are in Canadian Dollars)

For the Period from September 1, To August 31,	2013 2014	2012 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year and for the period	\$ (99,162)	\$ (76,796)
Non-cash expenses:		
Interest accretion	3,197	1,551
Share-based payments (Notes 10)	---	235
Write down of exploration property (Note 6)	<u>37,567</u>	<u>---</u>
	(58,398)	(75,010)
Net change in operating assets and liabilities		
Sundry receivable	(53)	(3,935)
Accounts payable and accrued liabilities	<u>390</u>	<u>(3,473)</u>
CASH FLOWS USED IN OPERATING ACTIVITIES	<u>(58,061)</u>	<u>(82,418)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (reimbursement of) convertible debentures	<u>(74,800)</u>	<u>74,800</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	<u>(74,800)</u>	<u>74,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in exploration and evaluation assets (Note 6)	<u>---</u>	<u>(27,567)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>---</u>	<u>(27,567)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(132,861)	(35,185)
CASH AND CASH EQUIVALENTS		
- Beginning of year	<u>410,067</u>	<u>445,252</u>
CASH AND CASH EQUIVALENTS		
- End of year	<u>\$ 277,206</u>	<u>\$ 410,067</u>
CASH AND CASH EQUIVALENTS, represented as follows:		
Cash	\$ 47,206	\$ 25,067
Short-term deposit	230,000	385,000
SUPPLEMENTAL INFORMATION		
Interest received	\$ 3,925	\$ 3,052
Interest paid	8,951	2,262
Income taxes paid	—	—
NON-CASH FINANCING ACTIVITY		
Common shares for exploration and evaluation assets (Note 6)	\$ —	\$ 10,000
Issuance of Warrants	—	—

SURREY CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014 and 2013
(All Amounts are in Canadian Dollars)

1. Nature of Organization

Description of the Business

Surrey Capital Corp. (the “**Corporation**”) was incorporated under the Business Corporations Act (*Ontario*) on September 13, 2010. The Corporation focuses on the exploration of mineral evaluation and exploration property in Canada.

The Corporation’s registered head office is 466A Ellerslie Ave, Toronto, Ontario, M2R 1C4.

Basis of Operations

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) applied on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Corporation be unable to continue its operations.

As an exploration Corporation, funding to meet its exploration budget as well as working capital is dependent on the Corporation’s ability to issue common shares or borrow funds. While the Corporation currently has sufficient funds on hand to meet its budget for the foreseeable future, there is no certainty that the Corporation will be able to raise sufficient funds beyond this period.

2. Basis of Presentation

Statement of Compliance

These financial statements have been prepared in accordance with IFRS that have been incorporated into Canadian Generally Accepted Accounting Principles (“**CGAAP**”) as issued by the International Accounting Standards Board (“**IASB**”).

These financial statements of the Corporation were authorized for issue in accordance with a resolution of the Board of Directors on October 27, 2014.

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

SURREY CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014 and 2013
(All Amounts are in Canadian Dollars)

3. Summary of Significant Accounting Policies

Basis of Measurement

These financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in note 4.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with banks, money market accounts, and other short-term investments with original maturities of 90 days or less.

Transactional Costs

The costs incurred relating to transactional costs are expensed as incurred.

Exploration and evaluation ("E&E") assets

The Corporation capitalizes all costs related to investments in E&E assets on a property-by-property basis in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries, and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statements of operations and comprehensive loss to the extent that they are not expected to be recovered. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically-viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project, net of any impairment provisions, are written off.

From time to time the Corporation may acquire or dispose of an exploration property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration property costs and recoveries when the payments are made or received.

Deferred Financing Costs

Financing costs related to the Corporation's proposed financing are recorded as deferred financing costs. These costs will be deferred until the financing is completed, at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to statements of operations and comprehensive loss.

SURREY CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014 and 2013
(All Amounts are in Canadian Dollars)

3. Summary of Significant Accounting Policies - continued

Incremental costs incurred in respect of raising capital are charged against equity or debt proceeds raised. Costs associated with the issuance of common share are charged to capital stock upon the raising of equity. Costs associated with the issuance of debt are amortized using the effective interest method over the life of the debt.

Revenue Recognition

Revenue consists of interest income and is recognized when earned/accrued.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statements of operations and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income Tax

Current tax is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and tax laws that were enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences; and
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise upon initial recognition of goodwill or arise on initial recognition of assets and liabilities acquired other than in a business combination where at the time of transaction effects neither accounting profit or taxable income (tax loss).

Earnings (Loss) Per Share

Earnings (loss) per share is calculated by dividing the net loss applicable to common shares by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net loss applicable to common shares by the diluted weighted average number of shares which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the period. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation.

SURREY CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014 and 2013
(All Amounts are in Canadian Dollars)

3. Summary of Significant Accounting Policies - continued

Non-derivative Financial Instruments

Non-derivative financial instruments are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has substantially transferred all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Fair Value Through Profit or Loss

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Impairment of financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

SURREY CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014 and 2013
(All Amounts are in Canadian Dollars)

3. Summary of Significant Accounting Policies - continued

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

The following is a summary of significant categories of financial instruments outstanding at August 31, 2014:

Cash and cash equivalents	Fair value through profit and loss
Sundry receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Convertible debentures	Other financial liabilities

Carrying value and fair value of financial assets and liabilities are summarized as follows:

Classification	Carrying Value	Fair value
Fair value through profit and loss	\$ 277,206	\$ 277,206
Loans and receivables	5,771	5,771
Other financial liabilities	7,146	7,146

Fair Value Hierarchy

The Corporation classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As of August 31, 2014 and 2013 cash and cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

Impairment of non-financial assets

The Corporation's assets are reviewed for indications of impairment at each statement of financial position's date. If indication of impairment exists, the asset's recoverable amount is estimated.

SURREY CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014 and 2013
(All Amounts are in Canadian Dollars)

3. Summary of Significant Accounting Policies - continued

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets the unit on a pro-rata basis.

Share-based Payments

Stock options issued by the Corporation are accounted for in accordance with the fair value based method. The fair value of options issued to directors, officers, employees of and consultants to the Corporation is charged to earnings over the vesting period of each tranche (graded vesting) with the offsetting amount recorded to contributed surplus. The historical forfeiture rate is also factored in to the calculations. When options are exercised, the amount received together with the amount previously recorded in contributed surplus, are added to capital stock. The fair value of warrants issued to agents in conjunction with a public offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. Fair value is measured using the Black-Scholes option pricing model.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

Warrants

The Corporation measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk free interest rate. The fair value of warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus general account.

Newly Adopted Accounting Standards

The Corporation has applied the following new and revised IFRS in these financial statements:

- IAS 1, "Presentation of Financial Statements" (amendment);
- IAS 27, "Separate Financial Statements" (amendment);
- IAS 28, "Investment in Associates and Joint Ventures" (amendment);
- IAS 32, "Financial Instruments: Presentation" (amendment);
- IFRS 7, "Financial Instruments: Disclosure" (amendment);
- IFRS 11, "Joint Arrangements" (new)
- IFRS 12, "Disclosure of Interests in Other Entities" (new); and
- IFRS 13, "Fair Value Measurement" (new).

The adoption of these new and revised standards and interpretations did not have significant impact on the Corporation's financial statements.

SURREY CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014 and 2013
(All Amounts are in Canadian Dollars)

Accounting Standards Issued But Not Yet Effective

The Corporation has reviewed recently issued and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

IFRS 9, Financial instruments ("IFRS 9") intends to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9. IFRS 9 is intended to reduce the complexity for the classification and measurement of financial instruments. The mandatory effective date is January 1, 2018. Once it is complete, the Corporation will be evaluating the impact the final standard is expected to have on its statements.

An amendment to IAS 32, Financial Instruments: presentation ("IAS 32") was issued by the IASB in December 2011. The amendment clarifies the meaning of 'currently has a legally enforceable right to set-off'. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Corporation does not expect the standard to have a material impact on its financial statements.

An amendment to IAS 36, Impairment of Assets ("IAS 36") was issued by the IASB in May 2013. The amendment reduces the circumstances in which the recoverable amount of assets or cash-generating units are required to be disclosed, clarifies the disclosures required, and introduces an explicit requirement to disclose the discount rate used in determining impairment. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The Corporation does not expect the standard to have a material impact on its financial statements.

An amendment to IAS 39, Financial Instruments: recognition ("IAS 39") was issued by the IASB in June 2013. The amendment clarifies that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014. The Corporation does not expect the standard to have a material impact on its financial statements.

In May 2013, IFRS Interpretation Committee ("IFRIC") published IFRIC Interpretation 21, Levies ("IFRIC 21"), effective for annual periods beginning on or after January 1, 2014. IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Corporation does not expect the standard to have a material impact on its financial statements.

4. Summary of Accounting Estimates and Assumptions

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Fair Value of Financial Instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Share-Based Payment Transactions

The Corporation measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

SURREY CAPITAL CORP.
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4. Summary of Accounting Estimates and Assumptions - continued

This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 10.

Income Taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determinations are made.

5. Sundry Receivables

August 31,	2014	2013
HST receivable	\$ 5,287	\$ 5,306
Interest receivable	484	412
	<u>\$ 5,771</u>	<u>\$ 5,718</u>

6. Evaluation and Exploration Assets

On March 13, 2013, the Corporation entered into an Earn-in Option Agreement with Richmond Minerals Inc. ("**Richmond**") and Mag Copper Inc. ("**Mag**" and, together with Richmond, the "**Vendors**") for the Halle Property (the "**Property**"). The Agreement will permit the Corporation to earn a 50% interest in the Property as described, upon the payment of \$20,000 and the issuance of 200,000 common shares of the Corporation to the Vendors upon release of the Exchange's Final Exchange Bulletin ("**FEB**") which occurred in March 2013 in addition to 400,000 common shares of the Corporation prior to the first anniversary of the release of the FEB, as well as the expenditure of a minimum of \$200,000 in exploration costs within the first year following the release of the FEB.

	Halle Property
Earn-In Option: Cash payment	\$ 20,000
Earn-In Option: Common Shares issued	10,000
Expenditures incurred	<u>7,567</u>
	37,567
Write down	<u>(37,567)</u>
	<u>\$ ---</u>

The Corporation has determined that while it continues to evaluate its alternatives with regards to the Halle Property and is in discussion with the Vendors, it will write down its current investment to date as it is uncertain to its ability to recover its investment at this time.

7. Accounts payable and accrued liabilities

August 31,	2014	2013
Trade payables	\$ 396	\$ 103
Accrued expenses	6,750	6,653
	<u>\$ 7,146</u>	<u>\$ 6,756</u>

SURREY CAPITAL CORP.
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8. Convertible Debentures

In March 2013, the Corporation issued \$74,800 in convertible debentures. The convertible debentures have a coupon rate of 12% and mature on August 31, 2014. The conversion ratio is 10,000 common shares of the Corporation per \$1,000 of convertible debentures. In addition, the Corporation issued 748,000 warrants to the convertible debenture holders, where each warrant provides the holder the right to purchase one additional common share at a price of \$0.10 which expires on August 31, 2014

The convertible debentures were originally recorded as a liability less an equity portion, calculated using a discount rate of 18%, credited to contributed surplus (Note 10) of \$4,748 for a net value of \$70,052.

	May 2014	August 2013
Convertible debentures face value	\$ 74,800	\$ 74,800
Less: Equity portion credited to contributed surplus	4,748	4,748
Convertible debentures, net value	70,052	70,052
Accretion since issuance	4,748	1,551
	74,800	71,603
Reimbursed	74,800	-
Balance outstanding	\$ - - -	\$ 71,603

Included in the expense charges for the period ended August 31, 2014 was non-cash accreted notional financing charges of \$3,197 (2013 - \$1,551), which relates to the charge to operations of the fair value of the conversion feature associated with the debentures and the warrants relating directly to the convertible debentures.

9. Share Capital

a) Authorized and issued

The Corporation is authorized to issue an unlimited number of common shares and unlimited preferred shares.

b) Escrow Shares

All of the 2,500,000 common shares issued prior to the Initial Public Offering (“IPO”) and all common shares that may be acquired from treasury of the Corporation by Non Arm’s Length Parties, as defined in the policies of the Exchange, of the Corporation prior to completion of the Qualifying Transaction are deposited with the escrow agent under the escrow agreement.

All common shares acquired on exercise of stock options prior to the completion of the Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued by the Exchange. In addition, all common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be escrowed.

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9. Share Capital - continued

On March 13, 2013, the Corporation completed its Qualifying Transaction authorizing beginning of the release of common shares held in escrow in accordance with Policy 2.4 of the Exchange. As of August 31, 2014, 1,500,000 common shares remained in escrow and will be released as follows:

Date	Quantity
September 13, 2014	375,000
March 13, 2015	375,000
September 13, 2015	375,000
March 13, 2016	375,000

10. Contributed Surplus

The Corporation's contributed surplus consists of the following:

	General	Incentive Stock Option	Warrants	Total
Balance, September 1, 2012	\$ 1,878	\$ 18,777	\$ 7,618	\$ 28,273
Expiry of warrants	7,618	---	(7,618)	---
Conversion feature of convertible debentures	4,748	---	---	4,748
Cancellation of incentive stock option	3,287	(3,287)	---	---
Vesting of incentive stock options	---	235	---	235
Balance, August 31, 2013 and 2014	\$ 17,531	\$ 15,725	\$ ---	\$ 33,256

The Corporation's Incentive Stock Option Plan (the "**Plan**") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Corporation's common shares on the date of the grant to directors, officers, employees and consultants to the Corporation. The option period for options granted under the Plan is for a maximum period of 10 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Corporation at the price specified in the terms of the option.

The fair value of the options was based on the Black Scholes option-pricing model. The following assumptions were used to value them:

	Fiscal 2013
Number of incentive stock options	150,000
Exercise price	\$ 0.10
Expected life	10 years
Weighted average risk-free interest rate	2.08%
Weighted average expected volatility	25.0%
Dividend yield	0.0%
Forfeiture rate	0.0%
Fair value	\$0.002

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10. Contributed Surplus - continued

The stock options activity is summarized below:

	Number	Weighted Average Exercise Price
Balance, September 1, 2012	817,080	\$ 0.10
Granted	150,000	0.10
Exercised	---	N/A
Cancelled	(130,000)	N/A
Forfeited	---	0.10
	<hr/>	
Balance, August 31, 2013 and 2014	837,080	\$ 0.10

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at August 31, 2014.

		Outstanding			Exercisable		
Exercise Price	Options Outstanding	Expiry Date	Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price	
\$ 0.10	74,280	January 27, 2016	1.4 years	\$ 0.10	74,280	\$ 0.10	
0.10	612,800	January 27, 2021	6.4 Years	0.10	612,800	0.10	
0.10	150,000	June 3, 2023	8.8 Years	0.10	150,000	0.10	

The fair value of the warrants issued in 2013 were based on the Black Scholes option-pricing model. The following assumptions were used to value them:

	Fiscal 2013
Number of agent warrants	748,000
Exercise price	\$ 0.10
Expected life	1.5 years
Weighted average risk-free interest rate	1.8%
Weighted average expected volatility	12.5%
Dividend yield	0.0%
Forfeiture rate	0.0%
Fair value	\$0.000

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10. Contributed Surplus - continued

The warrants activity is summarized below:

	Number	Weighted Average Exercise Price
Balance, September 1, 2012	492,800	\$ 0.10
Issued	748,000	0.10
Exercised	---	N/A
Expired	(492,800)	0.10
Forfeited	---	N/A
Balance, August 31, 2013	748,000	\$ 0.10
Issued	---	N/A
Exercised	---	N/A
Expired	(748,000)	0.10
Forfeited	---	N/A
Balance, August 31, 2014	---	\$ N/A

There are no warrant which are issued or outstanding as at August 31, 2014.

11. Related Party Transactions

Amounts due from and to the related parties, are a result of transactions with entities controlled by shareholders, officers or directors of the Corporation. These amounts are non-interest bearing, unsecured and not subject to specific terms of repayment unless stated.

During the period ended August 31, 2014, the Corporation recorded \$33,000 (2013 - \$27,000) in respect of the reimbursement of expenditures incurred on behalf of the Corporation by the directors of the Corporation or an entity controlled by a director of the Corporation with regards to office expenses, premises, consulting services, regulatory fees, and project analysis costs.

During the year ended August 31, 2013, the Corporation closed concurrently with its Qualifying Transaction a Convertible Debenture (Note 8) for \$74,800, of which \$57,800 was subscribed by related parties.

During the period ended August 31, 2014, the Corporation paid \$5,188 (2013 - \$3,497) in interest to related parties.

As of August 31, 2014, \$Nil (2013 - \$Nil) was due to a related party is included in accounts payables and accrued liabilities.

These transactions are in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Contingency

From time to time, the Corporation may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Corporation. As at August 31, 2014, no issues were outstanding.

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13. General and Administrative Expenses

For the period from September 1, To August 31,	2013 2014	2012 2013
Bank charges	\$ 81	\$ 25
Office expenses	10,680	10,680
Professional fees	16,378	11,350
Regulatory and filing fees	13,731	12,944
Premises	9,000	9,000
	---	235
Telecommunication	660	660
	<u>\$ 50,530</u>	<u>\$ 44,894</u>

14. Business Development Expenses

For the period from September 1, To August 31,	2013 2014	2012 2013
Meals & entertainment	\$ 418	\$ 109
Telecommunication	660	660
Travel	1,836	1,189
	<u>\$ 2,914</u>	<u>\$ 1,958</u>

15. Income Taxes

The Corporation's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 26.5% (2013 – 26.5%) to the net loss for the periods. The reason for the difference is as follows:

	2014	2013
Statutory Rate	26.5%	26.5%
Loss before income taxes	<u>\$ (99,162)</u>	<u>\$ (76,796)</u>
Recovery of income taxes based on statutory rate	(26,278)	(20,351)
Adjustment to income taxes:		
Non-deductible and other	7,616	91
Change in deferred tax assets not recognized	18,662	20,260
Income tax recovery	<u>\$ ---</u>	<u>\$ ---</u>

The Corporation's deferred income tax asset, computed by applying a future federal and provincial statutory rate of 26.5% (2013 – 26.5%), comprises the following:

	2014	2013
Non-capital losses carried forward	\$ 78,855	\$ 57,000
Investment in exploration and evaluation assets	3,653	---
Share issuance costs and other expenses	6,435	13,281
Deferred tax assets not recognized	(88,943)	(70,281)
	<u>\$ ---</u>	<u>\$ ---</u>

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At August 31, 2014, the Corporation has a non-capital loss of \$297,566 (2013 - \$215,094) available for carry-forward, which has not been recognized in these financial statements. These losses expire as follows:

Year	Amount
2031	\$ 60,837
2032	55,072
2033	99,185
2034	82,472
	<u>\$ 297,566</u>

The Corporation has not recorded deferred tax assets related to these unused carry forward losses and shares issuance costs as it is not probable that future taxable profits will be available against which these losses can be utilized.

16. Capital and Risk Management

The Corporation manages its common shares, stock options, warrants and accumulated deficit as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk, as there are no external restrictions on it.

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, issue new debt, acquire or dispose of assets in order to adjust the amount of cash on its balance sheet.

The Corporation's capital structure is as follows:

August 31,	2014	August 31, 2013
Share capital	\$ 506,386	\$ 506,386
Contributed surplus - general	17,531	17,531
Contributed surplus - incentive stock options	15,725	15,725
Accumulated deficit	(262,078)	(162,916)
	<u>\$ 277,564</u>	<u>\$ 376,726</u>

In order to facilitate the management of its capital requirements, the Corporation may prepare expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

Management reviews its approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable.

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17. Financial Instruments

Transactional Risk

The Corporation does not use hedging transactions to manage risk. As a part of the overall operation of the Corporation, management takes steps to avoid undue concentrations of risk. The Corporation manages risk as follows:

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The ability to do this relies on the Corporation raising capital through equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at August 31, 2014, the Corporation had \$277,206 cash and cash equivalents to settle \$7,146 of current liabilities (2013 - \$410,067 cash and cash equivalent to settle \$78,359 of current liabilities).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk.

The Corporation does not trade in financial instruments and is not exposed to significant interest rate price risk as at August 31, 2014 and 2013.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: credit risk, currency risk and other price risk.

Credit Risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. Balances of cash and cash equivalents in financial institutions may at times exceed the government-insured limits.

As of the date of these financial statements the Corporation's only debtor is the government of Canada for Harmonized sales tax ("HST") receivable and therefore the Corporation does not believe it is currently exposed to any significant credit risk as at August 31, 2014 and 2013.

Currency Risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Corporation does not have any material transactions denominated in foreign currency and is not exposed to foreign currency risk as at August 31, 2014 and 2013.

Other Price Risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Corporation are not exposed to other price risk as at August 31, 2014 and 2013.

Fair Values

Financial instruments include cash and cash equivalents, interest receivables, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to the relatively short-term maturity of these instruments. The Corporation classifies its cash and cash equivalents as financial assets at fair value through profit and loss, interest receivables as loans and receivables and its accounts payable and accrued liabilities as other financial liabilities.