Railtown Capital Corp.

Financial Statements

September 30, 2012

Expressed in Canadian Dollars

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Railtown Capital Corp.

We have audited the accompanying financial statements of Railtown Capital Corp., which comprise the statements of financial position as at September 30, 2012 and 2011, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, 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.

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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 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 that 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 Railtown Capital Corp. as at Septrember 30, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Railtown Capital Corp.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
January 28, 2013

RAILTOWN CAPITAL CORP.
Statements of Financial Position
(Expressed in Canadian dollars)

	September 30, 2012	September 30, 2011
Assets		
Current assets		
Cash	$ 22,260	$ 163,101
Liabilities and Shareholders' Equity		
Current liabilities		
Trade payables and accrued liabilities (Note 4)	$ 5,750	$ 16,160
Shareholders' equity		
Share capital (Note 5)	90,000	215,000
Subscriptions receivable	-	(50,010)
Share based payment reserve (Note 5)	29,832	29,832
Deficit	(103,322)	(47,881)
	16,510	146,941
	$ 22,260	$ 163,101

Nature of operations (Note 1)

Approved on behalf of the Board on January 28, 2013:

"Jason Moreau"
Director

"Ben Catalano"
Director

The accompanying notes are an integral part to these financial statements

RAILTOWN CAPITAL CORP.
Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	September 30, 2012	For the period from May 1, 2011 (Inception) to September 30, 2011
Expenses		
Bank fees	$ 178	$ 34
Filing fees	18,484	1,120
Financing fee (Note 5)	10,000	-
Foreign exchange	-	735
Office	2,714	-
Professional fees	24,065	16,160
Stock-based compensation (Note 5)	-	29,832
Net and comprehensive loss	$ (55,441)	$ (47,881)
Weighted average number of shares outstanding – basic and diluted	-	-
Basic and diluted loss per common share	$ -	$ -

The accompanying notes are an integral part to these financial statements

RAILTOWN CAPITAL CORP.
Statements of Cash Flows
(Expressed in Canadian dollars)

		September 30, 2012		For the period from May 1, 2011 (Inception) to September 30, 2011
Cash provided by (used in):				
Operating activities:				
Net loss	$	(55,441)	$	(47,881)
Non-cash item:				
Financing fee		10,000		-
Stock-based compensation		-		29,832
Changes in non-cash working capital items:				
Trade payables and accrued liabilities		(10,410)		16,160
Net cash used in operating activities		(55,851)		(1,889)
Financing activities:				
Common shares issued for cash		-		164,990
Return of capital		(135,000)		-
Subscriptions received		50,010		-
Net cash (used in) provided by financing activities		(84,990)		164,990
Increase (Decrease) in cash		(140,841)		163,101
Cash, beginning		163,101		-
Cash, ending	$	22,260	$	163,101
Cash paid for interest	$	-	$	-
Cash paid for income taxes	$	-	$	-

The accompanying notes are an integral part to these financial statements

RAILTOWN CAPITAL CORP.
Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital					
	Shares	**Amount**	**Share based payment reserve**	**Subscriptions receivable**	**Deficit**	**Total**
Balance, May 11, 2011	-	$ -	$ -	$ -	$ -	$ -
Common shares issued (Note 5)	4,500,000	215,000	-	(50,010)	-	164,990
Stock-based compensation (Note 5)	-	-	29,832	-	-	29,832
Net loss	-	-	-	-	(47,881)	(47,881)
Balance, September 30, 2011	4,500,000	215,000	29,832	(50,010)	(47,881)	146,941
Subscriptions received	-	-	-	50,010	-	50,010
IPO related share issuance cost (Note 5)	-	10,000	-			10,000
Return of capital (Note 5)	-	(135,000)	-	-	-	(135,000)
Net loss	-	-	-	-	(55,441)	(55,441)
Balance, September 30, 2012	4,500,000	$ 90,000	$ 29,832	$ -	$ (103,322)	$ 16,510

The accompanying notes are an integral part to these financial statements

1. Nature of operations

Railtown Capital Corp. (the "Company") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (British Columbia) on May 11, 2011. The Company is currently seeking business opportunities.

The head office, principal address and the registered and records office of the Company are located at 108-329 Main Street, Vancouver, British Columbia, Canada.

These 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 for the foreseeable future. As at September 30, 2012, the Company is not able to finance day to day activities through operations. The continuing operations of the Company are dependent upon its ability to identify a viable business opportunity. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on January 28, 2013 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

The financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification of financial instruments.

2. Significant accounting policies and basis of preparation (continued)

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. 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.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

2. Significant accounting policies and basis of preparation (continued)

Financial instruments (continued)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Income taxes

<u>Current income tax:</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

<u>Deferred income tax:</u>

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Accounting standards issued but not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

New standard IFRS 10 "Consolidated Financial Statements"

This new standard will replace IAS 27 "Consolidated and Separate Financial Statements", and SIC-12 "Consolidation – Special Purpose Entities". Concurrent with IFRS 10, the IASB issued IFRS 11 "Joint Ventures"; IFRS 12 "Disclosures of Involvement with Other Entities"; IAS 27 "Separate Financial Statements", which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 "Investments in Associates and Joint Ventures", which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

New standard IFRS 11 "Joint Arrangements"

This new standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes lAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

New standard IFRS 12 "Disclosure of Interests in Other Entities"

This new standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

New standard IFRS 13 "Fair value measurement"

This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effect for annual periods beginning on or after January 1, 2013.

(Expressed in Canadian dollars)

3. Accounting standards issued but not yet effective (continued)

New interpretation IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

This new IFRIC clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

Amendments to IAS 32 "Financial Instruments: Presentation"

These amendments address inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014.

Financial statement presentation

In June 2011, the IASB and the Financial Accounting Standards Board ("FASB") issued amendments to standards to align the presentation requirements for other comprehensive income ("OCI"). The IASB issued amendments to IAS 1 "*Presentation of Financial Statements*" to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for fiscal years beginning on or after July 1, 2012.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Trade payables and accrued liabilities

	September 30, 2012	September 30, 2011
Trade payables	$ -	$ 10,160
Accrued liabilities	5,750	6,000
Total	$ 5,750	$ 16,160

5. Share capital

Authorized

Unlimited number of common shares without par value.

Issued

Pursuant to subscription agreements dated June 7, 2011, 2,500,000 common shares at $0.05 per share were issued for gross proceeds of $125,000. Pursuant to subscription agreements dated September 21, 2011, 2,000,000 common shares at $0.05 per share were issued for gross proceeds of $100,000.

During the year ended September 30, 2012, the Company expensed $10,000 as a finance fee, which was previously netted against share capital, as a share issue cost as the financing to which it related will not take place.

(Expressed in Canadian dollars)

5. Share capital (continued)

Pursuant to an escrow agreement, all of the 4,500,000 common shares issued are held in escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the final Exchange bulletin (the "Initial Release") upon completion of the IPO, and an additional 15% will be released every six months following the Initial Release over a period of thirty six months.

During the year ended September 30, 2012, the shareholders of the Company approved the return of capital of $0.03 per share. This resulted in $135,000 returned to the shareholders with a corresponding reduction in share capital.

Stock options

On September 28, 2011, the Company granted 400,000 stock options which vested immediately with an exercise price of $0.10 and an expiry date of 5 years after the grant date. During the year ended September 30, 2011, stock based compensation in the amount of $ 29,832 was recorded. The amount is management's estimate of the fair value of the stock options vesting during the year and has been expensed in the statement of comprehensive loss. The Black-Scholes option pricing model was used with the expected annual volatility of 100%, risk-free interest rate of 1.44%, expected life of 5 years, and an expected dividend yield of 0%.

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

6. Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	September 30, 2012	**September 30, 2011**
	$	$
Net loss before income taxes	(55,441)	(47,881)
Statutory tax rate	26%	26.5%
Expected income tax recovery at the statutory tax rate	(14,415)	(12,688)
Effect of share issuance costs not recognized	-	(2,650)
Effect of changes in tax rates	554	868
Changes in valuation allowance	13,861	14,470
Actual income tax recovery	-	-

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	September 30, 2012	**September 30, 2011**
	$	$
Non-capital loss carry-forwards	26,331	11,970
Share issuance costs	2,000	2,500
Valuation allowance	(28,331)	(14,470)
Net deferred income tax assets	-	-

The Company's has $105,322 in non-capital tax losses of which $47,881 will expire in 2031 and $57,441 will expire in 2032.

(Expressed in Canadian dollars)

7. Financial instruments and financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. All of its cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government value added taxes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	September 30, 2012	September 30, 2011
Cash	$ 22,260	$ 163,101

Financial liabilities included in the statement of financial position are as follows:

	September 30, 2012	September 30, 2011
Non-derivative financial liabilities:		
Trade payables	$ -	$ 10,160

7. Financial instruments and financial risk management (continued)

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at September 30, 2012 and 2011:

	As at September 30, 2012		
	Level 1	**Level 2**	**Level 3**
Cash	$ 163,101	$ -	$ -

	As at September 30, 2012		
	Level 1	**Level 2**	**Level 3**
Cash	$ 22,260	$ -	$ -