Railtown Capital Corp.

Three months ended December 31, 2015

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"), consistent with International Financial Reporting Standards ("IFRS") appropriate in the circumstances.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

RAILTOWN CAPITAL CORP.
Condensed Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	December 31, 2015	September 30, 2015
Assets		
Current assets		
Cash	$ 740	$ 798
	$ 740	$ 798
Liabilities and Shareholders' Deficit		
Current liabilities		
Trade payables and accrued liabilities (Note 3)	$ 27,230	$ 27,371
Loan payable (Note 4)	7,743	7,743
	34,973	35,114
Shareholders' deficit		
Share capital (Note 5)	100,000	100,000
Share based payment reserve (Note 5)	29,832	29,832
Deficit	(164,065)	(164,148)
	(34,233)	(34,316)
	$ 740	$ 798

Nature of operations (Note 1)

Approved on behalf of the Board on February 29, 2016:

"Ben Catalano"
Director

"Jason Moreau"
Director

See accompanying notes to the condensed interim financial statements.

RAILTOWN CAPITAL CORP.
Condensed Interim Statements of Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	For the three months ended December 31, 2015	2014
Expenses		
Bank charges	$ 58	$ 18
Filing fees	236	-
Professional fees	(377)	3,125
Net and comprehensive income (loss) of the period	$ 83	$ (3,143)
Weighted average number of common shares outstanding – basic and diluted	5,000,000	4,915,068
Basic and diluted earnings (loss) per common share	$ 0.00	$ (0.00)

See accompanying notes to the condensed interim financial statements.

RAILTOWN CAPITAL CORP.
Condensed Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three months ended December 31, 2015	Three months ended December 31, 2014
Operating activities:		
Net income (loss) for the period	$ 83	$ (3,143)
Changes in non-cash working capital items:		
Trade payables and accrued liabilities	(141)	2,010
Net cash used in operating activities	(58)	(1,133)
Financing activities:		
Return of capital	-	(15,000)
Net cash provided by financing activities	-	(15,000)
Change in cash	(58)	(16,133)
Cash, beginning of the period	798	33,222
Cash, end of the period	$ 740	$ 17,089

See accompanying notes to the condensed interim financial statements.

RAILTOWN CAPITAL CORP.
Condensed Interim Statement of Changes in Shareholders' Deficit
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Share capital				
	Share	Amount	Share based reserve	Deficit	Total
Balance, September 30, 2014	5,000,000	$ 100,000	$ 29,832	$ (151,723)	$ (21,891)
Net and comprehensive loss	-	-	-	(3,143)	(3,143)
Balance, December 31, 2014	5,000,000	100,000	29,832	(154,866)	(25,034)
Net and comprehensive loss	-	-	-	(9,282)	(9,282)
Balance, September 30, 2015	5,000,000	100,000	29,832	(164,148)	(34,316)
Net and comprehensive income	-	-	-	83	83
Balance, December 31, 2015	5,000,000	$ 100,000	$ 29,832	$ (164,065)	$ (34,233)

See accompanying notes to the condensed interim financial statements.

1. Nature of operations

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

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.

On November 24, 2015, the Company entered into an agreement with Conation Capital Corp. ("Conation"), a private investment company with a director in common with the Company (Note 9).

These condensed interim 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 December 31, 2015, the Company is not able to finance day to day activities through operations and incurs losses. The continuing operations of the Company are dependent upon its ability to identify a viable business opportunity and to attain profitable operations and generate funds there from. 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 with loans from directors and companies controlled by directors and or private placement of common shares.

2. Significant accounting policies and basis of presentation

Statement of compliance

These unaudited condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting.

Basis of preparation

The condensed interim financial statements of the Company 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. The condensed interim financial statements are presented in Canadian dollars unless otherwise noted.

Significant estimates and assumptions

The preparation of the condensed interim 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 recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of the condensed interim 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.

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

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

Cash is classified as loans and receivable. 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.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost and include the loan payable and trade payables.

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

Current income tax:
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.

Deferred income tax:
Deferred income tax is recognized 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 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 tax asset to be utilized.

Deferred 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.

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

Income taxes (continued)

Deferred income tax: (continued)

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

Recently adopted accounting policies

Effective October 1, 2014, the Company adopted the following accounting policies:

A material effect on the Company's future results and financial position: IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9); and Amendments to IAS 32 Financial Instruments: Presentation. Adoption did not result in a material effect on the Company's results and financial position.

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

3. Trade payables and accrued liabilities

	December 31, 2015		September 30, 2015	
Trade payables	**$**	**24,355**	$	16,371
Accrued liabilities		**2,875**		11,000
Trade payables and accrued liabilities	**$**	**27,230**	$	27,371

4. Loan payable

During the year ended September 30, 2015, the Company received a loan from Conation, which has a director in common with the Company in the amount of $7,743. This loan is unsecured, non-interest bearing with no specific terms of repayment.

5. Share capital

Authorized

Unlimited number of common shares without par value.

Shares issued

During the year ended September 30, 2012, the shareholders of the Company approved the return of capital at $0.03 per share for 4,500,000 shares which were initially subscribed for at $0.05 per share. This resulted in a reduction of share capital of $135,000. $105,000 of this was repaid by the Company in prior years. The remaining $30,000 was repaid during the year ended September 30, 2015.

During the year ended September 30, 2014, the Company issued 500,000 common shares at $0.02 per share for gross proceeds of $10,000.

5. Share capital (continued)

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.

Stock options

At December 31, 2015, 400,000 stock options were outstanding with an exercise price of $0.10 and an expiry date of September 27, 2016.

6. Financial instruments

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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 bank account. 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 a major bank that is a high credit quality financial institution as determined by rating agencies.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates only in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates. The income earned on the bank account is subject to the movements in interest rates. Management considers the risk to be minimal.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

Historically, the Company's main 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.

7. Capital disclosure

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the period ended December 31, 2015.

8. Subsequent event

On November 24, 2015, the Company entered into an agreement (the "Agreement") with Conation, a company in the business of investing in early stage companies, whereby Conation and the Company will amalgamate into one company (the "Resulting Issuer"). The shareholders of the Company will exchange their shares on a basis of 6 Railtown common shares for each Resulting Issuer share. The shareholders of Conation will exchange their common shares of Conation for Resulting Issuer shares on a 1:1 basis. The amalgamation will not accounted for as a business combination as Railtown is not considered to be a business for accounting purposes. Because the amalgamation will result in the shareholders of Conation having control of the Resulting Issuer, the transaction will be accounted for as if Conation acquired the net liabilities of Railtown for the ultimate purpose of obtaining a listing on the TSX Venture Exchange.

Concurrent with the Agreement, Conation will complete a private placement of a maximum of 6,000,000 units at a price of $0.25 per unit, for aggregate maximum proceeds of $1,500,000. Each unit will consist of one common share of Conation, and one half of a Conation share purchase warrant, where each whole warrant will be exercisable at $0.40 for 18 months following the closing of the private placement.

This transaction is subject to shareholder and regulatory approval.