

**Railtown Capital Corp.**

Financial Statements

September 30, 2016 and 2015

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## 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, 2016 and 2015, and the statements of comprehensive loss, changes in shareholders' deficit 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 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

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

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain 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 LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
January 30, 2017

**RAILTOWN CAPITAL CORP.**

Statements of Financial Position

(Expressed in Canadian dollars)

As at September 30,

	2016	2015
<b>Assets</b>		
Current assets		
Cash	\$ 883	\$ 798
	\$ 883	\$ 798
<b>Liabilities and Shareholders' Deficit</b>		
Current liabilities		
Trade payables and accrued liabilities (Note 3)	\$ 18,395	\$ 27,371
Due to related parties (Note 4)	46,413	7,743
	64,808	35,114
Shareholders' deficit		
Share capital (Note 5)	100,000	100,000
Share based payment reserve (Note 5)	-	29,832
Deficit	(163,925)	(164,148)
	(63,925)	(34,316)
	\$ 883	\$ 798

**Nature of operations (Note 1)**

Approved on behalf of the Board on January 30, 2017:

"Ben Catalano"

Director

"Paul Woodward"

Director

See accompanying notes to the financial statements.

**RAILTOWN CAPITAL CORP.**

Statements of Comprehensive Loss  
(Expressed in Canadian dollars)  
For the years ended September 30,

	2016	2015
Expenses		
Bank charges	\$ 112	\$ 118
Consulting fees (Note 4)	14,700	-
Filing fees	2,879	3,868
Investor relations	209	-
Professional fees	11,709	8,439
Net and comprehensive loss of the year	\$ (29,609)	\$ (12,425)
Weighted average number of common shares outstanding – basic and diluted	5,000,000	5,000,000
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)

See accompanying notes to the financial statements.

**RAILTOWN CAPITAL CORP.**

Statements of Cash Flows

(Expressed in Canadian dollars)

For the years ended September 30,

	2016	2015
Operating activities:		
Net loss for the year	\$ (29,609)	\$ (12,425)
Changes in non-cash working capital items:		
Trade payables and accrued liabilities	(8,976)	2,258
Due to related parties	14,700	-
Net cash used in operating activities	(23,885)	(10,167)
Financing activities:		
Return of share capital proceeds	-	(30,000)
Advances from related parties	23,970	7,743
Net cash provided by (used in) financing activities	23,970	(22,257)
Change in cash	85	(32,424)
Cash, beginning of the year	798	33,222
Cash, end of the year	\$ 883	\$ 798

See accompanying notes to the financial statements.

**RAILTOWN CAPITAL CORP.**Statement of Changes in Shareholders' Deficit  
(Expressed in Canadian dollars)

	Share capital		Share based reserve	Deficit	Total
	Share	Amount			
Balance, September 30, 2014	5,000,000	\$ 100,000	\$ 29,832	\$ (151,723)	\$ (21,891)
Net and comprehensive loss	-	-	-	(12,425)	(12,425)
Balance, September 30, 2015	5,000,000	100,000	29,832	(164,148)	(34,316)
Expiry of options	-	-	(29,832)	29,832	-
Net and comprehensive loss	-	-	-	(29,609)	(29,609)
Balance, September 30, 2016	5,000,000	\$ 100,000	\$ -	\$ (163,925)	\$ (63,925)

See accompanying notes to the financial statements.

# RAILTOWN CAPITAL CORP.

Notes to the Financial Statements

For the year ended September 30, 2016

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## 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.

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, 2016, 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 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 the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accompanying financial statements have been prepared by and are the responsibility of the management.

### 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, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Canadian dollars unless otherwise noted.

### Significant estimates and assumptions

The preparation of the 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 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.

# RAILTOWN CAPITAL CORP.

Notes to the Financial Statements  
For the year ended September 30, 2016

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

### *Loss per share*

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. The diluted loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period..

### *Financial instruments*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### i. Financial Assets

Financial assets are classified as into the following categories based on the purpose for which the asset was acquired As follows:

#### *Loans and Receivables*

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

#### *Impairment of Financial Assets*

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

#### ii. Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over



# RAILTOWN CAPITAL CORP.

Notes to the Financial Statements

For the year ended September 30, 2016

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

### *Financial instruments* (continued)

the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid.

The Company has classified its financial instruments as follows:

- Cash is classified as loans and receivables.
- Trade payables and accrued liabilities and due to related parties are classified as other 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.

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.

### **Future accounting changes**

At the date of the approval of the financial statements, a number of standards and interpretations were in issue but not yet effective. The Company considers that these new standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

# RAILTOWN CAPITAL CORP.

Notes to the Financial Statements  
For the year ended September 30, 2016

## 3. Trade payables and accrued liabilities

	September 30, 2016	September 30, 2015
Trade payables	\$ 13,335	\$ 16,371
Accrued liabilities	5,060	11,000
Trade payables and accrued liabilities	\$ 18,395	\$ 27,371

## 4. Due to related parties

The following amounts are to companies controlled by the President of the Company. The payable balances are unsecured, non-interest bearing with no specific terms of repayment.

	Loans Payable
Balance at September 30, 2014	\$ -
Additions	7,743
Balance at September 30, 2015	7,743
Additions	38,670
Balance at September 30, 2016	\$ 46,413

During the year ended September 30, 2016, the Company incurred consulting fees of \$14,700 (2015: \$nil) with a company controlled by the President of the Company.

## 5. Share capital

### Authorized

Unlimited number of common shares without par value.

### Shares issued

During the years ended September 30, 2016 and 2015, there were no 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.

### 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 or expired. If the stock options or warrants are exercised, the corresponding amount will be transferred to share capital. If the stock options or warrants expire, the corresponding amount will be transferred to be deficit.

### Stock options

On September 28, 2011, the Company issued 400,000 stock options exercisable at \$0.10 per share. During the year ended September 30, 2016, 400,000 stock options expired and there were no stock options outstanding as at year end.

## RAILTOWN CAPITAL CORP.

Notes to the Financial Statements  
For the year ended September 30, 2016

### 6. Income taxes

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

	Year ended September 30, 2016	Year ended September 30, 2015
Net loss	\$ (29,609)	\$ (12,425)
Statutory tax rate	26%	26%
Expected income tax recovery	(7,698)	(3,230)
Adjustment to prior year's provision for non-capital losses	-	10,139
Other	-	521
Change in unrecognized deferred assets	7,698	(7,430)
Actual income tax recovery	\$ -	\$ -

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

	September 30, 2016	September 30, 2015
Non-capital loss carry-forwards	\$ 42,317	\$ 34,609
Total deferred tax assets	42,317	34,609
Unrecognized deferred tax assets	(42,317)	(34,609)
Net deferred income tax assets	\$ -	\$ -

At September 30, 2016, the company has approximately \$163,000 non-capital losses available, which expire beginning 2031 to 2036.

### 7. 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.

# RAILTOWN CAPITAL CORP.

Notes to the Financial Statements  
For the year ended September 30, 2016

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## 7. Financial instruments (continued)

### Financial risk management (continued)

#### *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.

## 8. 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 year ended September 30, 2016.