Railtown Capital Corp.

Three months ended December 31, 2016

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, 2016	September 30, 2016
Assets		
Current assets		
Cash	$ 865	$ 883
	$ 865	$ 883
Liabilities and Shareholders' Deficit		
Current liabilities		
Trade payables and accrued liabilities (Note 3)	$ 21,529	$ 18,395
Loans payable (Note 4)	52,713	46,413
	74,242	64,808
Shareholders' deficit		
Share capital (Note 5)	100,000	100,000
Deficit	(173,377)	(163,925)
	(73,377)	(63,925)
	$ 865	$ 883

Nature of operations (Note 1)

Approved on behalf of the Board on February 20, 2017

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	
	2016	2015
Expenses		
Bank charges	$ 18	$ 58
Consulting fees	6,300	-
Filing fees	243	236
Professional fees	2,891	(377)
Net and comprehensive income (loss) of the period	$ (9,452)	$ 83
Weighted average number of common shares outstanding – basic and diluted	5,000,000	5,000,000
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, 2016	2015
Operating activities:		
Net income (loss) for the period	$ (9,452)	$ 83
Changes in non-cash working capital items:		
Trade payables and accrued liabilities	9,434	(141)
Net cash used in operating activities	(18)	(58)
Change in cash	(18)	(58)
Cash, beginning of the period	883	798
Cash, end of the period	$ 865	$ 740

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, 2015	5,000,000	$ 100,000	$ 29,832	$ (164,148)	$ (34,316)
Net and comprehensive loss	-	-	-	83	83
Balance, December 31, 2015	5,000,000	100,000	29,832	(164,065)	(34,233)
Expiry of options	-	-	(29,832)	29,832	$ -
Net and comprehensive loss	-	-	-	(29,692)	(29,692)
Balance, September 30, 2016	5,000,000	100,000	-	(163,925)	(63,925)
Net and comprehensive loss	-	-	-	(9,452)	(9,452)
Balance, December 31, 2016	5,000,000	$ 100,000	$ -	$ (173,377)	$ (73,377)

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.

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, 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 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 and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The policies applied in the condensed consolidated interim financial statements are presented below and are based on IFRS’ issued and outstanding as of February 28, 2017, the date the Board of Directors approved the condensed consolidated interim financial statements. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending September 30, 2017 could result in restatements of these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the condensed consolidated interim financial statements.

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 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.

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

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.

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

<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 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, 2016		September 30, 2016
Trade payables	**$**	**13,579**	$	13,335
Accrued liabilities		**7,950**		5,060
Trade payables and accrued liabilities	**$**	**21,529**	$	18,395

4. Loans payable

The following loans are from Conation, which has a director in common with the Company. The loans are unsecured, non-interest bearing with no specific terms of repayment.

		Loans Payable
Balance at September 30, 2015	**$**	**7,743**
Additions		**38,670**
Balance at September 30, 2016		**46,413**
Additions		**6,300**
Balance at December 31, 2016	**$**	**52,713**

5. Share capital

Authorized

Unlimited number of common shares without par value.

Shares issued

During the three months ended December 31, 2016 and year ended September 30, 2016 there were no shares issued.

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 30, 2016, there were no stock options outstanding.

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.

6. Financial instruments (continued)

Financial risk management (continued)

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 three months ended December 31, 2016.