

Financial Statements  
(Expressed in Canadian dollars)

**ZURI CAPITAL CORP.**

Years ended October 31, 2013 and 2012

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Zuri Capital Corp.,

We have audited the accompanying financial statements of Zuri Capital Corp. which comprise the statements of financial position as at October 31, 2013 and 2012, and the statements of comprehensive loss, cash flows and changes in shareholders' equity 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.

### Auditors' 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 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 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 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 Zuri Capital Corp. as at October 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.



**CHARTERED ACCOUNTANTS**

Vancouver, Canada

February 20, 2014

ZURI CAPITAL CORP.  
 Statements of financial position  
 (Expressed in Canadian dollars)

	Notes	October 31, 2013	October 31, 2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 85,166	\$ 187,626
Taxes receivable		4,297	5,713
Prepaid expenses		25,000	-
		114,463	193,339
<b>TOTAL ASSETS</b>		<b>\$ 114,463</b>	<b>\$ 193,339</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	5	\$ 15,015	\$ 26,300
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	186,593	186,593
Reserves	6	57,180	57,180
Deficit		(144,325)	(76,734)
<b>TOTAL EQUITY</b>		<b>99,448</b>	<b>167,039</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 114,463</b>	<b>\$ 193,339</b>

Nature and continuance of operations (Note 1)

APPROVED ON BEHALF OF THE BOARD:

Director:           "Steve Smith"            
 Steve Smith

Director:           "Mike Gillis"            
 Mike Gillis

ZURI CAPITAL CORP.  
 Statements of comprehensive loss  
 (Expressed in Canadian dollars)

	Notes	Years ended	
		October 31, 2013	October 31, 2012
<b>Expenses</b>			
Office and miscellaneous		\$ 153	\$ 841
Professional fees		27,080	26,000
Rent	8	24,370	-
Shareholder information, transfer agent and filing fee		15,988	3,710
Share-based compensation		-	38,120
		67,591	68,671
<b>Comprehensive loss for the year</b>		<b>\$ (67,591)</b>	<b>\$ (68,671)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Weighted-average number of common shares outstanding</b>		<b>4,000,000</b>	<b>3,243,836</b>

ZURI CAPITAL CORP.  
 Statements of changes in shareholders' equity  
 (Expressed in Canadian dollars)

	Notes	Share capital		Reserves		Total
		Number of shares	Amount	Contributed Surplus	Deficit	
<b>Balance at October 31, 2012</b>		<b>4,000,000</b>	<b>\$ 186,593</b>	<b>\$ 57,180</b>	<b>\$ (76,734)</b>	<b>\$ 167,039</b>
Comprehensive loss		-	-	-	(67,591)	(67,591)
<b>Balance at October 31, 2013</b>		<b>4,000,000</b>	<b>\$ 186,593</b>	<b>\$ 57,180</b>	<b>\$ (144,325)</b>	<b>\$ 99,448</b>

	Notes	Share capital		Reserves		Total
		Number of shares	Amount	Contributed Surplus	Deficit	
<b>Balance at October 31, 2011</b>		<b>2,000,000</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ (8,063)</b>	<b>\$ 91,937</b>
Comprehensive loss		-	-	-	(68,671)	(68,671)
Shares issued for cash @ 0.10	6	2,000,000	200,000	-	-	200,000
Broker commission		-	(20,000)	-	-	(20,000)
Share issue costs		-	(74,347)	-	-	(74,347)
Fair values of agents warrants		-	(19,060)	19,060	-	-
Share-based compensation		-	-	38,120	-	38,120
<b>Balance at October 31, 2012</b>		<b>4,000,000</b>	<b>\$ 186,593</b>	<b>\$ 57,180</b>	<b>\$ (76,734)</b>	<b>\$ 167,039</b>

ZURI CAPITAL CORP.  
Statement of cash flows  
(Expressed in Canadian dollars)

	Years ended	
	October 31, 2013	October 31, 2012
<b>Operating activities</b>		
Net loss for the year	\$ (67,591)	\$ (68,671)
Adjustments for:		
Share-based compensation	-	38,120
Changes in non-cash working capital items:		
Prepaid expenses	(25,000)	-
Taxes receivable	1,416	(4,853)
Trade payables and accrued liabilities	(11,285)	18,040
<b>Net cash flows used in operating activities</b>	<b>(102,460)</b>	<b>(17,364)</b>
<b>Financing activities</b>		
Proceeds on issuance of common shares	-	200,000
Deferred financing costs	-	(12,739)
Share issue costs	-	(65,408)
<b>Net cash flows generated by financing activities</b>	<b>-</b>	<b>121,853</b>
Increase (decrease) in cash and cash equivalents for the year	(102,460)	104,489
Cash and cash equivalents, beginning of the year	187,626	83,137
<b>Cash and cash equivalents, ending of the year</b>	<b>\$ 85,166</b>	<b>\$ 187,626</b>

**1. Nature and continuance of operations**

Zuri Capital Corp. (the "Company") is a public company incorporated on May 2, 2011, under the laws of the province of British Columbia, Canada. The Company's shares are traded on the TSX Venture Exchange ("TSX.V") under the symbol "ZUR.P". The head office, principal address and records office of the Company are located at 409 Granville Street, Suite 1450, Vancouver, British Columbia, Canada.

On March 19, 2012, the Company completed its public offering in the Provinces of British Columbia, Alberta and Ontario and in the Yukon Territories, with an aggregate of 2,000,000 common shares at \$0.10 per share, for total proceeds of \$200,000 before a 10% commission paid to the Agent.

The Company is a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange ("Exchange"). The Company's shares commenced trading on the Exchange on March 19, 2012.

These financial statements have been prepared on the assumption that the Company will be able to realize its assets and discharge liabilities in the ordinary course of operations rather than through a process of forced liquidation. The Company's continued operations as intended will ultimately be dependent upon its ability to identify, evaluate and negotiate the acquisition of an interest in properties, assets, or business which is considered a qualifying transaction (as defined in Exchange Policy 2.4)

On August 1, 2013, the Company announced that it had entered into a letter agreement (the "Letter Agreement") effective July 30, 2013 with Phoenix Gold Resources Ltd. ("Phoenix") which would result in a reverse take-over of Zuri by Phoenix by way of a three-cornered amalgamation (the "Acquisition"). The Acquisition, if completed, will constitute the Company's Qualifying Transaction as Phoenix is an arm's-length party. The Letter Agreement will be followed by the negotiation of a definitive agreement.

Under the terms of the Letter Agreement, the Acquisition may be effected by way of a three cornered amalgamation, whereby a new wholly-owned subsidiary of the Company to be incorporated under the laws of British Columbia ("Zuri Subco") will amalgamate with Phoenix. Under the amalgamation, the Company will acquire all of the then outstanding 15,750,000 common shares of Phoenix which will be exchanged for common shares of the Company together with the other 15,000,000 common shares exchanged on a one-for-one basis under the Private Placement, all of the issued and outstanding shares of Phoenix being amalgamated with the Zuri Subco to form an amalgamated company ("Amalco") which will hold the right to acquire mineral properties in Nevada known as the Plumas Property, the Eldorado Property, and a right of first refusal to acquire the Filippini/Keenan Property (the "Property Rights"). Upon completion of the Acquisition, the Company expects to change its name to Phoenix Gold Resources Corp. or such other name acceptable to Phoenix and the applicable regulatory authorities

The parties intend that Phoenix will, prior to the Acquisition and subject to Exchange approval, complete a brokered private placement for minimum gross aggregate proceeds of up to \$2,000,000. The price per security will be determined by the Company and the lead agent, and is anticipated to be not less than \$0.10 per security. Following completion of the Private Placement and the Acquisition, the Resulting Issuer is expected to have a total of 34,750,000 common shares issued and outstanding.

Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations may be impaired and accordingly the Company may be unable to realize on the carrying value of its net assets.

**2. Significant accounting policies and basis of preparation**

These financial statements were authorized for issue on February 20, 2014 by the directors of the Company.

***Statement of compliance with International Financial Reporting Standards***

The financial statements of the Company have been prepared in accordance 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").

These financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

These financial statements including comparatives have been prepared on the basis of IFRS standards that are effective or available for early adoption on October 31, 2013.

***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 accounting judgments, estimates and assumptions***

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination that the Company will continue as a going concern. Actual results may differ from those estimates and judgments should the Company be unable to continue operations.

***Cash and cash equivalents***

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments.

***Deferred financing costs***

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

***Share Capital***

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.



**2. Significant accounting policies and basis of preparation (cont'd)**

***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.

***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.

***Related party transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

***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 Company 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. Cash and cash equivalents are classified as fair value through profit and 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.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Financial instruments*** (cont'd)

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.

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. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Accounts payable and accrued liabilities are classified as other liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company 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.

***Income taxes***

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

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 taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses

**2. Significant accounting policies and basis of preparation (cont'd)**

***Income taxes*** (cont'd)

unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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.

***Provisions***

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligations, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

**3. Accounting standards, amendments and interpretations issued by not yet effective**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2013 or later years.

The following standards and interpretations have been issued but are 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 "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

**3. Accounting standards, amendments and interpretations issued by not yet effective (cont'd)**

***New standard IFRS 10 "Financial Statements"*** (cont'd)

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 IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

***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.

***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 effective for annual periods beginning on or after January 1, 2013.

***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 are effective for annual periods beginning on or after January 1, 2014.

***Financial statement presentation***

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. Cash and cash equivalents**

The components of cash and cash equivalents are as follows:

	October 31, 2013	October 31, 2012
Cash at bank	\$ 85,166	\$ 187,626
	\$ 85,166	\$ 187,626

**5. Accounts payable and accrued liabilities**

	October 31, 2013	October 31, 2012
Accounts payable and accrued liabilities	\$ 15,015	\$ 26,300
	\$ 15,015	\$ 26,300

**6. Share capital**

*a. Authorized share capital*

Unlimited number of common shares without par value.

*b. Issued share capital*

At October 31, 2013 there were 4,000,000 issued and fully paid common shares.

On March 19, 2012, the Company completed an offering to the public of 2,000,000 common shares at \$0.10 per share for total proceeds of \$200,000 before a 10% commission paid to the Agent. The Company incurred a total of \$74,347 in fees and expenses pursuant to the offering and listing on the TSX Venture Exchange. The Company granted the Agent an option to acquire up to 200,000 common shares of the Company at \$0.10 per share for a two year period.

*c. Basic and diluted loss per share*

The calculation of basic and diluted loss per share for the year ended October 31, 2013 was based on the loss attributable to common shareholders of \$67,591 (\$68,671 – 2012) and the weighted-average number of common shares outstanding of 4,000,000 (3,243,836 – 2012).

*d. Stock options*

Outstanding incentive stock options at October 31, 2013 were as follows:

	Expiry Date	Exercise price	Balance, October 31, 2012	Granted	Balance, October 31, 2013
Stock options	March 19, 2017	\$0.10	400,000	-	400,000
Outstanding			400,000	-	400,000
Exercisable			400,000		400,000
Weighted-average exercise price					\$0.10

At October 31, 2013, the weighted-average remaining contractual life of stock options was 3.38 years. The weighted-average grant date fair value of options granted during the year ended October 31, 2013 was \$0.10.

**6. Share capital (cont'd)**

*e. Share-based compensation*

No options were granted during the year ended October 31, 2013. During the year ended October 31, 2012, the Company granted a total of 400,000 incentive stock options and share-based compensation expense of \$38,120 was recorded. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	<b>Year ended October 31, 2012</b>
Number of incentive stock options granted	400,000
Fair value of option granted	\$38,120
Expected life of options	5 years
Annualized volatility	175%
Risk-free interest rate	2.50%
Dividend rate	0%

*f. Agent's warrants:*

Outstanding agent warrants at October 31, 2013 were as follows:

	Expiry Date	Exercise price	Balance, October 31, 2012	Granted	Balance, October 31, 2013
Agent's warrants	March 19, 2014	\$0.10	200,000	-	200,000
Outstanding			200,000	-	200,000
Exercisable			200,000		200,000
Weighted-average exercise price					\$0.10

At October 31, 2013, the weighted-average remaining contractual life of warrants outstanding was 0.38 years.

*g. Stock option reserve*

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

For issuance of any agent warrants in a private placement, the Company, using the Black-Scholes model, computes the fair value of the agent warrants. Until such time that the agent warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**7. 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. The majority of cash is deposited in bank accounts held with major banks in Canada. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

***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.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at October 31, 2013:

	<b>Within one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
Trade payables	\$ 15,015	\$ -	\$ -
	\$ 15,015	\$ -	\$ -

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at October 31, 2012:

	<b>Within one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
Trade payables	\$ 26,300	\$ -	\$ -
	\$ 26,300	\$ -	\$ -

***Foreign exchange risk***

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at October 31, 2013, all of the Company's cash is held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

**7. Financial risk management (cont'd)**

***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 exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal.

***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 October 31, 2013:

	<b>As at October 31, 2013</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 85,166	\$ -	\$ -

The following is an analysis of the Company's financial assets measured at fair value as at October 31, 2012:

	<b>As at October 31, 2012</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 187,626	\$ -	\$ -

***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the period.

The Company is not subject to any externally imposed capital requirements.

***Classification of financial instruments***

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

	<b>October 31, 2013</b>	<b>October 31, 2012</b>
Cash and cash equivalents	\$ 85,166	\$ 187,626
	\$ 85,166	\$ 187,626



**7. Financial risk management (cont'd)**

***Classification of financial instruments*** (cont'd)

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

	October 31, 2013	October 31, 2012
Non-derivative financial liabilities:		
Trade payables	15,015	26,300
	\$ 15,015	\$ 26,300

**8. Related party transactions**

***Related party balances***

For the years ended October 31, 2013 and 2012 there were no balances owing to related parties.

***Related party transactions***

The Company had the following transactions in the normal course of operations with directors and companies with common directors:

	October 31 2013	October 31, 2012
Office rent and supplies (a)	\$ 24,370	\$ -

- a. \$24,370 in rent to a private company controlled by two directors of the Company

**9. Income Taxes**

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

	Year ended October 31, 2013	Year ended October 31, 2012
Net loss	\$ (67,591)	\$ (68,671)
Statutory tax rate	25.58%	25.00%
Expected income tax recovery at the statutory tax rate	\$ (17,290)	\$ (17,339)
Differences due to recognition of items for tax purposes:		
Non-deductible items and other	-	9,625
Share issue costs incurred during the year	-	(23,823)
Change in valuation allowance	17,290	31,537
Income tax recovery	\$ -	\$ -

ZURI CAPITAL CORP.

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the years ended October 31, 2013 and 2012

**9. Income Taxes (cont'd)**

The components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	<b>October 31, 2013</b>	<b>October 31, 2012</b>
Deferred income tax assets		
Loss carry-forwards	\$ 27,613	\$ 14,371
Share issuance and financing costs	14,718	18,869
	42,331	33,240
Valuation allowance	(42,331)	(33,240)
Net deferred income tax asset	\$ -	\$ -

The Company has recorded a valuation allowance against deferred income taxes on the extent to which it is more likely than not that sufficient taxable income will not be realized during the carry forward period to utilize all the deferred tax assets.

The Company has available for deduction against future taxable income non-capital losses of approximately \$106,000. These losses, if not utilized, will expire in stages to 2033. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization. The non-capital losses expire as follows:

Year of origin	Non-capital loss	Year of expiry
2011	\$ 8,000	2031
2012	49,000	2032
2013	49,000	2033
	<u>\$ 106,000</u>	