Financial Statements of

SOUTHTECH CAPITAL CORPORATION

For the Years Ending December 31, 2013 and December 31, 2012
(Expressed in Canadian Dollars)

BDO

Independent Auditor's Report

To the Shareholders of
Southtech Capital Corporation

We have audited the accompanying financial statements of Southtech Capital Corporation (the "Corporation"), which comprise the statements of financial position as at December 31, 2013 and December 31, 2012, and the statement of comprehensive income, statements of changes in equity, and the statements of cash flows for the year ended December 31, 2013 and December 31, 2012, 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 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 auditors' 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 Southtech Capital Corporation as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which describes the uncertainty about whether the Corporation will complete a Qualifying Transaction within twenty-four months from the date the Corporation shares are listed on the TSX Venture Exchange.

BDO Canada LLP

Chartered Accountants
Calgary, Alberta
February 26, 2014

SOUTHTECH CAPITAL CORPORATION
STATEMENT OF FINANCIAL POSITION
As at December 31
(expressed in Canadian dollars)

ASSETS

		2013		2012
CURRENT				
Cash (note 2)	$	**222,749**	$	262,758
GST receivable		**1,740**		-
	$	**224,489**	$	262,758

LIABILITIES

		2013		2012
CURRENT				
Accrued liabilities	$	**21,491**	$	15,525

SHAREHOLDERS' EQUITY

		2013		2012
SHARE CAPITAL (note 3)		**257,796**		257,796
CONTRIBUTED SURPLUS (note 3)		**66,940**		66,940
DEFICIT		**(121,738)**		(77,503)
		202,998		247,233
	$	**224,489**	$	262,758

The accompanying notes are an integral part of the financial statements.

The financial statements were approved and authorized for issue by the Board of Directors and were signed on its behalf by:

"Wade J. Larson"
Wade J. Larson, Director

"Paul S. Readwin"
Paul S. Readwin, Director

SOUTHTECH CAPITAL CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
For the Years Ending December 31
(expressed in Canadian dollars)

	2013	2012
EXPENSES		
General and administrative Expenses	$ **112**	$ 167
Filing Expenses	**14,622**	5,210
Professional Fees	**29,501**	16,566
Share Based Compensation	-	55,560
Loss and comprehensive income, for the year	$ **44,235**	$ 77,503
Loss per share – Basic and Diluted	**($0.02)**	($0.06)
Weighted average number of shares outstanding	**6,000,000**	5,327,869

The accompanying notes are an integral part of the financial statements.

SOUTHTECH CAPITAL CORPORATION
STATEMENT OF CHANGES IN EQUITY
For the Years Ending December 31
(expressed in Canadian dollars)

2012	Share capital	Contributed surplus	Deficit	Total
Balance, beginning of year	$ 200,000	$ -	$ -	$ 200,000
Issuance of shares	200,000	-	-	200,000
Share Issue Costs	(130,824)	-	-	(130,824)
Options Issued	(11,380)	66,940	-	55,560
Loss and comprehensive income	-	-	(77,503)	(77,503)
Balance, end of year	$ 257,796	$ 66,940	$ (77,503)	$ 247,233

2013	Share capital	Contributed surplus	Deficit	Total
Balance, beginning of year	$ 257,796	$ 66,940	$ (77,503)	$ 247,233
Issuance of shares	-	-	-	-
Share Issue Costs	-	-	-	-
Options issued	-	-	-	-
Loss and comprehensive income	-	-	(44,235)	(44,235)
Balance, end of year	$ 257,796	$ 66,940	$ (121,738)	$ 202,998

The accompanying notes are an integral part of the financial statements.

SOUTHTECH CAPITAL CORPORATION
STATEMENT OF CASH FLOWS
For the Years Ending December 31
(expressed in Canadian dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss and comprehensive income for the year	$ (44,235)	$ (77,503)
Items not affecting cash:		
Share based compensation	-	55,560
Net Change in non-cash working capital items:		
GST receivable	(1,740)	-
Trade payables	(525)	-
Increase (decrease) in accrued liabilities	6,491	(5,913)
Cash used in operating activities	(40,009)	(27,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital (note 3)	-	200,000
Share issuance costs	-	(95,324)
	-	104,676
NET (DECREASE) INCREASE IN CASH POSITION FOR THE YEAR	(40,009)	76,820
CASH - BEGINNING OF YEAR	262,758	185,938
CASH - END OF YEAR	$ 222,749	$ 262,758

The accompanying notes are an integral part of the financial statements.

1. NATURE OF OPERATIONS

Southtech Capital Corporation (the "Corporation") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on April 21, 2011 and is a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 of the TSX Venture Exchange ("TSX Venture"). The address of the Corporation's registered office is Suite 1600, 333 7th Avenue S.W., Calgary, Alberta T2P 2Zl.

As at December 31, 2013, the Corporation had no business operations and its only significant asset was cash. During the period from incorporation on April 21, 2011 to December 31, 2013, the Corporation did not enter into any agreements to acquire an interest in a business or assets. As a CPC, the Corporation's principal business is the identification and evaluation of assets, properties or businesses with a view to acquisition or participation therein subject, in certain cases, to shareholder approval and acceptance by the TSX Venture. Where an acquisition or participation is warranted (the "Qualifying Transaction"), additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing. There is no assurance that the Corporation will complete a Qualifying Transaction within twenty-four months from the date the Corporation's shares are listed on the TSX Venture (May 3, 2012), at which time the TSX Venture may suspend or de-list the Corporation's shares from trading.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

These financial statements were authorized for issuance on February 26, 2014.

Basis of Measurement

These financial statements have been prepared on a historical cost basis.

Use of Estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year in these financial statements are accrued liabilities.

The Corporation's principal accounting policies are outlined below:

Functional and Presentation Currency

The financial statements are presented in Canadian Dollars, which is the Corporation's functional currency and presentation currency.

Cash

Cash includes unrestricted balances on deposit held with financial institutions, and comprises of proceeds from the issuance of share capital.

The proceeds raised from the issuance of share capital and from the initial public offering (the "Offering") may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction by the Corporation as defined under the policies of the TSX Venture.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Corporation intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Accounting standards issued but not yet applied

Certain new pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2014 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these annual financial reports will or may have an effect on the Company's future results and financial position:

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9") was issued in November 2009 and is the first step to replace 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 flows characteristics of the financial assets. The IASB recently suspended the originally planned effective date of this new standard of January 1, 2015 and at present the effective date has not been determined. The Company is currently assessing the financial impact of this new standard.

Financial Instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables are comprised of cash and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through the profit or loss, or other financial liabilities, as appropriate.

The Corporation determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. The Corporation's other financial liabilities include accrued liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

Share Based Payments

Equity-settled share based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period based on the Corporation's estimate of shares that will eventually vest. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Corporation had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Loss Per Share

Basic loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding for the period. Diluted loss per common share is computed by dividing the net loss by the diluted weighted average number of common shares outstanding for the period. In the calculation of diluted per share amounts, options under the stock option plan are assumed to have been converted or exercised on the later of the beginning of the period and the date granted. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. In net loss per share situations, the diluted per share amount is the same as that for basic, as all factors are anti-dilutive. The escrow shares outstanding as at December 31, 2013 have been excluded from the weighted average number of shares outstanding as they are contingently returnable.

3. SHARE CAPITAL

Authorized

Unlimited number of common shares, unlimited number of preferred shares, issuable in series

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

Issued and outstanding and changes during the year

	Number	$
Common shares		
As at December 31, 2011	4,000,000	200,000
Issued for cash	2,000,000	200,000
Share issuance costs	-	(130,824)
Agent options - fair value	-	(11,380)
As at December 31, 2012	6,000,000	257,796
Issued for cash	-	-
Share issuance costs	-	-
As at December 31, 2013	6,000,000	257,796

Stock Option Plan

The Corporation has adopted an incentive stock option plan in accordance with the polices of the TSX Venture (the "Stock Option Plan") which provides that the Board of Directors of the Corporation may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation non transferrable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. The options are exercisable for up to ten (10) years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the TSX Venture.

Stock Options

The Corporation has a stock option plan for its key officers, directors, employees and consultants. Up to 10% of the issued and outstanding shares may be reserved for issuance under the Plan.

As at December 31, 2013, the Corporation had outstanding options to acquire 800,000 shares as follows:

	Number	Weighted average exercise price
Outstanding December 31, 2011	-	-
Issued during the year	800,000	$0.10
Outstanding December 31, 2012	800,000	$0.10
Issued during the year	-	-
Outstanding December 31, 2013	800,000	$0.10

All the options outstanding vest immediately and are all exercisable at December 31, 2013.

Grant Date	Options Outstanding	Exercise Price	Expiry Date	Remaining contractual life (years)
May 3, 2012	600,000	$0.10	May 3, 2022	9
May 3, 2012	200,000	$0.10	May 3, 2014	1
	800,000	**$0.10**		**10**

The fair value of stock options was estimated at the grant date based on the Black-Scholes option pricing model, using the following assumptions:

	Director's	Agent's
Weighted average risk-free interest rate	2%	1.3%
Weighted average expected life	10 years	2 years
Weighted average expected volatility	110%	110%
Weighted average fair value of options granted	$0.09	$0.06
Share price at grant date	$0.10	$0.10
Dividend yield rate	0%	0%
Forfeiture rate	0%	0%

Contributed Surplus

Share based compensation expense is based on estimated fair value of the related stock options at the time of grant and is recognized as an expense with a corresponding increase in contributed surplus.

A reconciliation of contributed surplus is provided below:

		December 31, 2013		**December 31, 2012**
Balance, beginning of year	$	66,940	$	-
Share issue costs-agent options		-		11,380
Share based compensation		-		55,560
Balance, end of year	$	66,940	$	66,940

Escrowed Shares

Pursuant to an escrow agreement dated as of December 31, 2011 among the Corporation, CIBC Mellon Trust Company ("CIBC Mellon") and certain shareholders of the Corporation, 4,000,000 common shares, being all of the issued and outstanding common shares prior to the completion of the Offering, have been deposited in escrow. Upon the Corporation completing a Qualifying Transaction, as defined in Policy 2.4 of the TSX Venture, common shares held pursuant to the escrow agreement shall be released as to 10% immediately following the issuance of the bulletin of the TSX Venture announcing final acceptance of the Qualifying Transaction (the "Initial Release") and an additional 15% shall be released every six months commencing six months following the Initial Release. Escrowed shares are excluded from the earnings per share calculation.

4. INCOME TAXES

The components of the deferred tax balances are as follows:

		2013		2012
Deferred tax asset				
Share issue costs	$	**18,389**	$	24,930
Unused loss carryforwards		**30,862**		13,262
Less: deferred tax assets not recognized		**(49,251)**		(38,192)
Net deferred tax asset	$	-	$	-

The provision for income taxes varies from the amount that would be computed by applying the expected tax rate to income (loss) before income taxes. The principle reason for differences between such “expected” income tax expense and the amount actually recorded are as follows:

		2013		2012
Loss for the before income taxes	$	**44,235**	$	77,503
Statutory income tax rate		**25%**		25%
Anticipated income tax expense	$	**(11,059)**	$	(19,376)
Changes in deferred tax assets not recognized				
Non-deductible expenses		-	$	13,890
Rate change		-		75
Share issuance cost		-		(6,541)
Change in unrecognized deferred tax assets		11,059		11,952
	$	-	$	-

As at December 31, 2013 the Corporation has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years.

The losses expire as follows:

Year	Amount
2031	$4,941
2032	48,108
2033	70,400
Total	$123,449

5. FINANCIAL INSTRUMENTS

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 use to estimate the fair values. The three levels of 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 assets or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair values of the Corporation's cash and accounts payable and accrued liabilities approximate their carrying values, which are the amounts in the statement of financial position.

Fair Values

At December 31, 2013, the Corporation's financial instruments consist of cash and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments. The Corporation classifies its cash as loans and receivables, and its accrued liabilities as other financial liabilities.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash. To minimize the credit risk the Corporation places these instruments with a high credit quality financial institution.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Corporation's current obligations consist of accounts payable, which is all due within 30 days.

6. RELATED PARTY TRANSACTIONS

During the year the Corporation incurred expenses totaling $12,282 (2012 - $44,265) for legal fees to companies with a common officer or director.

Current year legal fees have been expensed as they were incurred in the normal course of business. Prior year legal fees were recorded as a reduction to share capital since these costs were directly related to the issuance of shares.

7. MANAGEMENT OF CAPITAL

The Corporation's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Corporation does not have any externally imposed capital requirements to which it is subject other than disclosed in Note 2. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.