Spirit Bear Capital Corp.
(A Capital Pool Company)

Financial Statements
For the year ended January 31, 2014
(Expressed in Canadian Dollars)

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(A Capital Pool Company)
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Spirit Bear Capital Corp.

We have audited the accompanying financial statements of Spirit Bear Capital Corp., which comprise the statements of financial position as at January 31, 2014 and 2013, 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 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, these financial statements present fairly, in all material respects, the financial position of Spirit Bear Capital Corp. as at January 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

May 27, 2014

NEXIA INTERNATIONAL

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SPIRIT BEAR CAPITAL CORP.
(A Capital Pool Company)
Statements of Financial Position
(Expressed in Canadian Dollars)

	January 31, 2014	January 31, 2013
	$	$
ASSETS		
Current		
Cash and cash equivalents (Note 3)	240,779	269,050
Receivables	1,917	265
TOTAL ASSETS	242,696	269,315
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 4)	7,541	7,964
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	269,249	269,249
Reserves (Note 5)	60,972	60,972
Accumulated deficit	(95,066)	(68,870)
	235,155	261,351
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	242,696	269,315

Nature and continuance of operations (Note 1)

These financial statements are authorized for issuance by the Board of Directors on May 27, 2014.

On Behalf of the Board of Directors:

"Michael Waldkirch"
Director

"Richard Silas"
Director

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

SPIRIT BEAR CAPITAL CORP.
(A Capital Pool Company)
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended January 31,	
	2014	**2013**
	$	**$**
Expenses		
Bank charges	182	128
Professional fees (Note 8)	17,230	15,204
Regulatory and shareholders' service	17,284	7,036
Share-based compensation (Note 5)	-	42,150
Travel and related	834	-
	(35,530)	(64,518)
Interest income	2,698	1,637
Cost recovery (Note 8)	6,636	-
Loss and comprehensive loss for the year	(26,196)	(62,881)
Basic and diluted loss per share	(0.01)	(0.03)
Weighted average number of common shares outstanding	3,000,000	2,155,738

Basic and diluted loss per share does not include the effect of 2,000,012 escrowed shares which are contingently returnable.

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

SPIRIT BEAR CAPITAL CORP.
(A Capital Pool Company)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended January 31, 2014	2013
	$	$
Cash flows used in operating activities		
Net loss for the year	(26,196)	(62,881)
Item not affecting cash and cash equivalents:		
Share-based compensation	-	42,150
Changes in non-cash working capital items		
Receivables	(1,652)	(265)
Accounts payable and accrued liabilities	(423)	2,021
	(28,271)	(18,975)
Cash flows from financing activities		
Proceeds from share issuances	-	300,000
Share issuance costs	-	(111,930)
	-	188,070
Net change in cash and cash equivalents	(28,271)	169,095
Cash and cash equivalents, beginning of year	269,050	99,955
Cash and cash equivalents, end of year	240,779	269,050
Non-cash transaction		
Financing fees – agent's options	-	18,822

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

SPIRIT BEAR CAPITAL CORP.
(A Capital Pool Company)
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital	Reserves	Accumulated Deficit	Total Shareholders' Equity
		$	$	$	$
Balance at January 31, 2012	**2,000,012**	**100,001**	**-**	**(5,989)**	**94,012**
Shares issued from IPO	3,000,000	300,000	-	-	300,000
Share issuance costs	-	(111,930)	-	-	(111,930)
Agent's options issued for IPO	-	(18,822)	18,822	-	-
Share-based compensation	-	-	42,150	-	42,150
Net loss for the year	-	-	-	(62,881)	(62,881)
Balance at January 31, 2013	**5,000,012**	**269,249**	**60,972**	**(68,870)**	**261,351**
Net loss for the year	-	-	-	(26,196)	(26,196)
Balance at January 31, 2014	**5,000,012**	**269,249**	**60,972**	**(95,066)**	**235,155**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Spirit Bear Capital Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on November 8, 2011. On May 14, 2012, the Company completed its Initial Public Offering ("IPO") and is classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. On May 16, 2012, the Company began trading its stock on the TSX-V under the symbol SBG.P. The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

The Company's head office, principal address and registered and records office is located at 300-576 Seymour Street, Vancouver, British Columbia, Canada, V6B 3K1.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses within 24 months of listing on the TSX-V. Such a transaction will be subject to regulatory approval and may be subject to shareholder approval. Management believes the Company has sufficient working capital to maintain its activities for the upcoming fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these condensed interim financial statements.

Statement of compliance

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

The financial statements were authorized by the Audit Committee and Board of Directors on May 27, 2014.

Basis of presentation

These 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.

Cash and cash equivalents

The Company considers cash to include cash on deposit and highly liquid short-term investments bearing variable interest rates that are readily convertible to known amounts of cash and generally have original maturities within three months. Interest earned is recognized immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation other equity-based payments and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include 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 and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)

Share-based compensation

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 using the graded vesting method. 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 share-based payment reserve. The fair value of options is determined using the 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.

The Company transfers the value of cancelled and expired unexercised vested stock options and compensatory warrants to deficit or share capital from reserves on the date of expiration, based on the nature of the item.

Financial instruments

Financial assets
The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash and cash equivalents as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its receivables as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after 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.

2. SIGNIFICANT ACCOUNTING POLICIES - (continued)

Financial instruments (continued)

Financial liabilities
The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities.

For the years presented, the Company did not have any derivative financial assets or 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 country 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 based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income 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 income tax asset to be utilized.

Deferred income 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 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.

Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2014 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending January 31, 2015 or later:

a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is tentatively effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any effect on the Company's financial statements.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting pronouncements not yet adopted (continued)

b) IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after January 1, 2014. The Company does not expect any effect on the Company's financial statements.

3. CASH AND CASH EQUIVALENTS

	January 31, 2014	January 31, 2013
	$	$
Cash at bank	3,082	12,413
Cash held in lawyers' trust account	3,362	5,000
Demand deposit	234,335	251,637
	240,779	**269,050**

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2014	January 31, 2013
	$	$
Accounts payable	541	464
Accrued liabilities	7,000	7,500
	7,541	**7,964**

5. SHARE CAPITAL AND RESERVES

Authorized Share Capital

Unlimited number of common shares without par value

Issued Share Capital

In May 2012, the Company completed its IPO of 3,000,000 common shares at $0.10 per share for gross proceeds of $300,000. The agent was paid a cash commission of $30,000, corporate finance fee of $16,800, and expense reimbursements of $13,970. The Company also incurred further expenses of $51,160 related to the IPO.

There are 2,000,012 shares subject to escrow restrictions until completion of the Qualifying Transaction, and will then be released from escrow in tranches over 36 months.

Stock Options

The Company has an incentive stock options plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL AND RESERVES

Stock Options (continued)

Pursuant to the IPO, the Company granted 300,000 agents options exercisable for a period of two years, valued at $0.06 per option for a total of $18,822 calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk free rate of 1.11%, a forfeiture rate of 0%, volatility of 125%, and a dividend yield of 0%.

In May 2012, the Company granted 500,000 stock options exercisable for a period of five years, valued at $0.08 per option for a total of $42,150 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk free rate of 1.31%, a forfeiture rate of 0%, volatility of 125%, and a dividend yield of 0%.

A summary of stock option activities are as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at January 31, 2012	-	-
Granted	800,000	0.10
Outstanding at January 31, 2013 and January 31, 2014	800,000	0.10

A summary of the stock options outstanding and exercisable at January 31, 2014 is as follows:

Exercise price	Number outstanding	Number exercisable	Expiry date
$			
0.10	300,000 *	300,000	May 14, 2014
0.10	500,000	500,000	May 14, 2017
	800,000	800,000	

* Agents options (expired subsequent to year-end)

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. If vested options expire unexercised or are forfeited, the amount recorded is transferred to deficit.

6. SEGMENTED INFORMATION

The Company has one geographic segment, being Canada, and one operating segment, being to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 fair value of the Company's receivables and accounts payable and accrued liabilities approximate their carrying value. The Company's other financial instrument, being cash and cash equivalents, is measured at fair value using Level 1 inputs.

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:

(a) 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 and cash equivalents held in bank accounts. The Company has deposited the cash and cash equivalents with its bank and lawyer's trust account from which management believes the risk of loss is remote.

(b) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

(c) Market risk:
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(d) Currency risk:
The Company's operations and financing activities are conducted in Canadian dollars and as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates.

(e) 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, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

During the year ended January 31, 2014, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

i. The Company recovered $6,636 (2013 – paid $6,636) of professional fees previously paid or accrued to a company controlled by a director and officer of the Company.

Summary of key management personnel compensation:

	For the year ended January 31,	
	2014	**2013**
	$	**$**
Professional fees (recovery)	(6,636)	6,636
Share-based compensation	-	42,150
	(6,636)	**48,786**

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	For the year ended January 31,	
	2014	**2013**
	$	**$**
Loss before income taxes	(26,196)	(62,881)
Combined Canadian federal and provincial statutory rate	26.00%	25.00%
Expected income tax recovery at statutory rates	(6,811)	(15,720)
Non-deductible expenditures and other items	(5,821)	4,941
Unrecognized benefits of non-capital losses	12,632	10,779
Total income tax recovery	-	-

The significant components of the Company's unrecognized deductible temporary differences are as follows:

	2014	**2013**
	$	$
Non-capital loss carry forwards	101,454	52,870
Share issuance costs	67,165	89,554

10. CAPITAL DISCLOSURE AND MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the TSX-V.

As a CPC, the Company is subject to externally imposed capital requirements as outlined in TSX-V Exchange Policy 2.4 and summarized below:

1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a Qualifying Transaction;

2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a Qualifying Transaction;

3) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate Qualifying Transactions;

4) After the completion of its IPO and until the completion of a Qualifying Transaction, a CPC may not issue any securities unless written acceptance of the Exchange is obtained before the issuance of the securities.

11. SUBSEQUENT EVENT

The Company did not meet the deadline of May 14, 2014 as required by the TSX-V to complete its Qualifying Transaction and the shares of the Company were suspended from trading on May 15, 2014. The Company is seeking to list on the NEX, a separate board of the TSX-V, and is currently completing the procedures to finalize the transfer.