

Spirit Bear Capital Corp.
(A Capital Pool Company)

Condensed Interim Financial Statements
For the three months ended April 30, 2014
(Expressed in Canadian Dollars - Unaudited)

SPIRIT BEAR CAPITAL CORP.
(A Capital Pool Company)
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SPIRIT BEAR CAPITAL CORP.

(A Capital Pool Company)

Notice to Reader

For the three months ended April 30, 2014

(Expressed in Canadian Dollars – Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

	April 30, 2014	January 31, 2014
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (Note 3)	239,123	240,779
Receivables	<u>2,272</u>	<u>1,917</u>
TOTAL ASSETS	<u>241,395</u>	<u>242,696</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 4)	<u>15,292</u>	<u>7,541</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	269,249	269,249
Reserves (Note 5)	60,972	60,972
Accumulated deficit	<u>(104,118)</u>	<u>(95,066)</u>
	<u>226,103</u>	<u>235,155</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>241,395</u>	<u>242,696</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 10)

These condensed interim financial statements are authorized for issuance by the Board of Directors on June 30, 2014.

On Behalf of the Board of Directors:

"Michael Waldkirch"
Director

"Richard Silas"
Director

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

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

	For the three months ended April 30,	
	2014	2013
	\$	\$
Expenses		
Bank charges	69	24
Professional fees	1,000	5,000
Regulatory and shareholders' service	8,663	3,331
	(9,732)	(8,355)
Interest income	680	609
Cost recovery (Note 8)	-	6,636
Loss and comprehensive loss for the period	(9,052)	(1,110)
Basic and diluted loss per share	(0.00)	(0.00)
Weighted average number of common shares outstanding	3,000,000	3,000,000

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 condensed interim financial statements.

SPIRIT BEAR CAPITAL CORP.**(A Capital Pool Company)**

Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars - Unaudited)

	For the three months ended April 30,	
	2014	2013
	\$	\$
Cash flows used in operating activities		
Net loss for the period	(9,052)	(1,100)
Changes in non-cash working capital items		
Receivables	(355)	(681)
Prepaid expenses	-	(3,467)
Accounts payable and accrued liabilities	7,751	2,320
	<u>(1,656)</u>	<u>(2,928)</u>
Net change in cash and cash equivalents	(1,656)	(2,928)
Cash and cash equivalents, beginning of period	<u>240,779</u>	<u>269,050</u>
Cash and cash equivalents, end of period	<u>239,123</u>	<u>266,122</u>

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

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

	Number of Shares Issued	Share Capital	Reserves	Accumulated Deficit	Total Shareholders' Equity
		\$	\$	\$	\$
Balance at January 31, 2013	5,000,012	269,249	60,972	(68,870)	261,351
Net loss for the period	-	-	-	(1,110)	(1,110)
Balance at April 30, 2013	5,000,012	269,249	60,972	(69,980)	260,241
Net loss for the period	-	-	-	(25,086)	(25,086)
Balance at January 31, 2014	5,000,012	269,249	60,972	(95,066)	235,155
Net loss for the period	-	-	-	(9,052)	(9,052)
Balance at April 30, 2014	5,000,012	269,249	60,972	(104,118)	226,103

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

SPIRIT BEAR CAPITAL CORP.
(A Capital Pool Company)

Notes to Condensed Interim Financial Statements
For the three months ended April 30, 2014
(Expressed in Canadian Dollars - Unaudited)

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. As such, the Company is required to complete a Qualifying Transaction within 24 months of the date of listing. 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.

Subsequent to April 30, 2014, the Company did not meet the deadline 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 (Note 10).

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 condensed interim 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 condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”).

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the financial statements of the Company for the year ended January 31, 2014.

The accounting policies applied in preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company’s financial statements for the year ended January 31, 2014.

Basis of presentation

These condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The interim financial statements are presented in Canadian dollars unless otherwise noted.

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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.

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 three months ended April 30, 2014 and have not been applied in preparing these condensed interim financial statements.

- 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.

3. CASH AND CASH EQUIVALENTS

	April 30, 2014	January 31, 2014
	\$	\$
Cash at bank	745	3,082
Cash held in lawyers' trust account	3,362	3,362
Demand deposit	235,016	234,335
	239,123	240,779

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4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2014	January 31, 2014
	\$	\$
Accounts payable	8,392	541
Accrued liabilities	6,900	7,000
	15,292	7,541

5. SHARE CAPITAL AND RESERVES

Authorized Share Capital

Unlimited number of common shares without par value

Issued Share Capital

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.

A summary of stock option activities are as follows:

	Number of options	Weighted average exercise price
		\$
Outstanding at January 31, 2013, January 31, 2014 and April 30, 2014	800,000	0.10

A summary of the stock options outstanding and exercisable at April 30, 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 unexercised subsequent to period-end) (Note 10)

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.

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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.

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8. RELATED PARTY TRANSACTIONS

Summary of key management personnel compensation:

	For the three months ended April 30,	
	2014	2013
	\$	\$
Professional fees (recovery)	-	(6,636)

As at April 30, 2014, \$2,643 (January 31, 2014 - \$nil) was included in accounts payable and accrued liabilities owing to a company controlled by a director of the Company for reimbursement of expenses.

9. 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.

10. SUBSEQUENT EVENTS

In May 2014, 300,000 agent stock options with an exercise price of \$0.10 expired unexercised.

In May 2014, the Company did not meet the deadline of May 14, 2014 to complete its Qualifying Transaction as required by the TSX-V and the shares of the Company were suspended from trading on May 15, 2014. In order to avoid being delisted, 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.