Scorpion Resources Inc.

Financial Statements

Year Ended March 31, 2014

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Scorpion Resources Inc.:

We have audited the accompanying financial statements of Scorpion Resources Inc., which comprise the statements of financial position as at March 31, 2014 and 2013, and the statements of comprehensive loss, changes in equity and cash flows 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.

Auditor's 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 audits 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 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 that 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 Scorpion Resources Inc. as at March 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Scorpion Resources Inc.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
July 17, 2014

(Expressed in Canadian Dollars)

	Notes		March 31, 2014		March 31, 2013
ASSETS					
Current assets					
Cash		$	133,902	$	321,283
Non-current assets					
Exploration and evaluation asset	4		52,450		-
TOTAL ASSETS		**$**	**186,352**	**$**	**321,283**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	5	$	70,938	$	21,301
TOTAL LIABILITIES			70,938		21,301
SHAREHOLDERS' EQUITY					
Share capital	6		373,043		373,043
Stock option reserve	6		61,446		61,446
Deficit			(319,075)		(134,507)
TOTAL EQUITY			115,414		299,982
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**186,352**	**$**	**321,283**

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors:

"John Eckersley"
Director

"Laara Shaffer"
Director

(Expressed in Canadian Dollars)

	Notes		Year ended March 31, 2014		Year ended March 31, 2013
Expenses					
Business development		$	151	$	532
Exploration expenses	4		136,823		-
Foreign exchange loss			1,769		-
Office and miscellaneous			715		93
Professional fees			26,647		40,085
Property investigation			-		6,708
Stock-based compensation	6,7		-		45,351
Transfer agent and filing fees			18,463		36,708
Net and comprehensive loss		**$**	**(184,568)**	**$**	**(129,477)**
Loss per share – basic and diluted	6	**$**	**(0.06)**	**$**	**(0.08)**
Weighted average number of shares outstanding – basic and diluted			**3,000,000**		**1,684,932**

Scorpion Resources Inc.
Statement of changes in equity
(Expressed in Canadian Dollars)

	Notes	Share capital: Number of shares	Share capital: Amount	Stock option reserve	Deficit	Total
Balance at March 31, 2012		**3,100,000**	**$ 155,000**	**$ -**	**$ (5,030)**	**$ 149,970**
Net and comprehensive loss		-	-	-	(129,477)	(129,477)
Transactions with owners, in their capacity as owners, and other transfers:						
Shares issued for cash – Initial Public Offering	6	3,000,000	300,000	-	-	300,000
Share issue costs - cash	6	-	(65,862)	-	-	(65,862)
Share issue costs – share purchase options	6	-	(16,095)	16,095	-	-
Stock-based compensation	6	-	-	45,351	-	45,351
Balance at March 31, 2013		**6,100,000**	**373,043**	**61,446**	**(134,507)**	**299,982**
Net and comprehensive loss		-	-	-	(184,568)	(184,568)
Balance at March 31, 2014		**6,100,000**	**$ 373,043**	**$ 61,446**	**$ (319,075)**	**$ 115,414**

Scorpion Resources Inc.
Statements of cash flows
(Expressed in Canadian Dollars)

		Year ended March 31, 2014	Year ended March 31, 2013
Operating activities			
Net loss	$	(184,568)	$ (129,477)
Adjustments for non-cash items:			
Stock-based compensation		-	45,351
		(184,568)	(84,126)
Changes in non-cash working capital items:			
Trade payables and accrued liabilities		49,637	16,301
Net cash flows used in operating activities		(134,931)	(67,825)
Investing activities			
Exploration and evaluation asset additions		(52,450)	-
Net cash flows used in investing activities		(52,450)	-
Financing activities			
Proceeds on issuance of common shares		-	300,000
Share issuance costs		-	(65,862)
Pre-payments		-	16,200
Net cash flows from financing activities		-	250,338
Increase (decrease) in cash		(187,381)	182,513
Cash, beginning		321,283	138,770
Cash, ending	**$**	**133,902**	**$ 321,283**
Non-cash transaction:			
Fair value of agent's share purchase options issued	**$**	-	**$** 16,095

1. Nature and continuance of operations

Scorpion Resources Inc. (the "Company") was incorporated under the British Columbia Business Corporations Act on October 19, 2011. The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange. As a CPC, the Company's principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange ("Qualifying Transaction"). A CPC has 24 months from when the shares are listed on the Exchange to complete a Qualifying Transaction. Such a transaction will be subject to shareholder and regulatory approval (Note 4). The Company's shares were listed on the Exchange on September 7, 2012. Until completion of the Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction.

The head office and principal address is 608 - 1199 West Pender Street, Vancouver, B.C., V6E 2R1 and the records and registered office is located at 1500 - 1055 West Georgia Street, Vancouver, B.C., V6E 4N7.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The proposed business of the Company involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment. Additional funds will be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it, particularly in the current economic environment. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with funds on hand, loans from directors and companies controlled by directors and or private placement of common shares.

2. Significant accounting policies

The financial statements were approved and authorized for issue, by the board of directors of the Company, on July 17, 2014.

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 including interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These financial statements have been prepared on an accrual basis and are based on historical cost, modified where applicable. The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Significant estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant areas requiring the use of estimates include the fair value of stock-based compensation, and the recoverability of deferred tax assets.

2. Significant accounting policies (cont'd)

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty.

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 group 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.

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.

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 to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

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.

The Company does not have any derivative financial assets and liabilities.

2. Significant accounting policies (cont'd)

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 countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred 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.

Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by dividing the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

Share-based payments

The Company operates a 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 the Black–Scholes Option Pricing Model. 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.

2. Significant accounting policies (cont'd)

Exploration and evaluation assets

The Company capitalizes all direct costs related to the acquisition of exploration and evaluation assets. Exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and a decision to proceed with development are charged to operations as incurred.

The Company's exploration and evaluation assets are assessed for impairment when the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The Company's criteria for testing impairment includes, but is not limited to, when:

(i) Exploration rights for a specific area have expired or are expected to expire in the near future and these rights are not expected to be renewed;
(ii) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
(iii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and / or
(iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an impairment test is performed and, as a result of this test, it is determined that the carrying amount of an exploration and evaluation asset exceeds its recoverable amount, a provision is made for the decline in value and charged against operations in the year.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

3. Accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after April 1, 2014 or later periods.

The following standards, amendments and interpretations that have not been early adopted in these financial statements, are not expected to have a material effect on the Company's future results and financial position:

a) IFRS 9 "Financial Instruments" (New; to replace IAS 39 and IFRIC 9); and

b) Amendments to IAS 32 "Financial Instruments: Presentation" (Amended).

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.

(Expressed in Canadian Dollars)

4. Proposed Qualifying Transaction

CWT Property

The Property consists of mining claims permits situated in Pima County, Arizona.

Summary of the Transaction

Pursuant to an agreement dated August 27, 2013 and amended on May 21, 2014, the Company can earn up to an undivided 80% interest in and to the CWT Property upon the following terms:

1. The Company shall earn a 50% interest by making the following payments and expenditures:
    a. US$50,000 in cash upon signing the Agreement (Paid);
    b. 1,000,000 common shares of the capital stock of the Company upon regulatory approval;
    c. US$75,000 cash and 1,000,000 common shares on or before the first anniversary of regulatory approval;
    d. US$100,000 and 1,000,000 common shares on or before the second anniversary of regulatory approval;
    e. US$150,000 and 1,000,000 common shares on or before the third anniversary of regulatory approval;
    f. US$250,000 and 1,000,000 common shares on or before the fourth anniversary of regulatory approval;
    g. On or before the date that is four years from regulatory approval the Company shall incur exploration expenditures of at least US$500,000 on the CWT Property.
2. The Company shall earn an additional 10% interest in the CWT Property upon completion and regulatory approval of a NI 43-101 compliant resource report prepared according to the standards of the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”).
3. The Company shall earn an additional 10% interest in the CWT Property upon completion and regulatory approval of a Preliminary Economic Assessment prepared according to CIM standards.
4. The Company shall earn an additional 5% interest in the CWT Property upon completion and regulatory approval of a Pre-feasibility Study prepared according to CIM standards.
5. The Company shall earn an additional 5% interest in the CWT Property upon completion and regulatory approval of a Bankable Feasibility Study prepared according to CIM standards.

The Proposed Transaction is subject to the approval of the Exchange and to other standard closing conditions, including satisfactory due diligence review of the CWT Property by the Company, approval of the board of directors of the Company, and the completion of a financing on terms satisfactory to the Company, in its sole discretion, as may be necessary in order to meet the minimum listing requirements of the Exchange.

Acquisition costs incurred are as follows:

	March 31, 2014	March 31, 2013
Acquisition	$ 52,450	$ -

Exploration expenses incurred are as follows:

	March 31, 2014	March 31, 2013
Geological consulting and survey	$ 111,403	$ -
License and filing	25,420	-
	$ 136,823	$ -

(Expressed in Canadian Dollars)

5. Trade payables and accrued liabilities

		March 31, 2014		March 31, 2013
Trade payables	$	49,438	$	9,301
Accrued liabilities		21,500		12,000
	$	70,938	$	21,301

6. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At March 31, 2014 there were 6,100,000 issued and fully paid common shares (March 31, 2013 – 6,100,000).

Private placements

For the year ended March 31, 2014:

No shares were issued during the year.

For the year ended March 31, 2013:

Effective September 7, 2012, the Company completed its initial public offering consisting of 3,000,000 common shares at a price of $0.10 per share for gross proceeds of $300,000. In connection with the public offering, the Company incurred $81,957 in share issuance costs, which included 300,000 agents' options exercisable at $0.10 for two years, with a fair value of $16,095.

Restricted Share Capital

Effective July 11, 2012, 3,100,000 common shares were voluntary placed in escrow pursuant to an escrow agreement. The escrow agent will release any securities upon receiving notice of completion of a Qualifying Transaction. The escrow shares will be released in stages, as follows:

310,000	Shares to be released after Final Exchange Bulletin;
465,000	Shares to be released 6 months following the Final Exchange Bulletin;
465,000	Shares to be released 12 months following the Final Exchange Bulletin;
465,000	Shares to be released 18 months following the Final Exchange Bulletin;
465,000	Shares to be released 24 months following the Final Exchange Bulletin;
465,000	Shares to be released 30 months following the Final Exchange Bulletin;
465,000	Shares to be released 36 months following the Final Exchange Bulletin;
3,100,000	Total

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended March 31, 2014 was based on the loss attributable to common shareholders of $184,568 (2013 - $129,477) and the weighted average number of common shares outstanding of 3,000,000 (2013 – 1,684,932).

Diluted loss per share did not include the effect of 900,000 stock options as the effect would be anti-dilutive and 3,100,000 common shares held in escrow.

(Expressed in Canadian Dollars)

6. Share capital (cont'd)

Stock options

The Company has adopted an incentive stock option plan, which provides that the board of directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

For the year ended March 31, 2014:

No incentive stock options were issued during the year.

For the year ended March 31, 2013:

On September 7, 2012, the Company granted 300,000 incentive stock options to the agent of the IPO exercisable at a price of $0.10 for a 2 year term. The fair value was determined using the Black-Scholes Option Pricing Model using the following assumptions: expected dividend yield – 0; expected stock price volatility – 103%; risk-free interest rate – 1.09%; expected life of options – 2 years. The fair value was determined to be $16,095 and was charged to share issuance costs and recorded in the stock option reserve.

On July 17, 2012, the Company granted 600,000 incentive stock options to directors and officers exercisable at a price of $0.10 for a 5 year term from the date that the Company's shares are listed for trading on the Exchange. The fair value was determined using the Black-Scholes Option Pricing Model using the following assumptions: expected dividend yield – 0; expected stock price volatility – 103%; risk-free interest rate – 1.23%; expected life of options – 5 years. The fair value was determined to be $45,351 and was charged to stock based compensation expense and recorded in the stock option reserve.

The following table summarizes the continuity of the Company's stock options:

	Number of options	**Weighted average exercise price - $ -**
Balance, March 31, 2012	-	-
Granted	900,000	0.10
Balance, March 31, 2013 and March 31, 2014	900,000	0.10

At March 31, 2014 the following share purchase options were outstanding:

Number of options	**Exercise price - $ -**	**Weighted average contractual life (Years)**	**Expiry date**
300,000	0.10	0.15	September 7, 2014
600,000	0.10	2.29	September 7, 2017
900,000		2.44	

Stock option reserve

The stock option reserve records items recognized as stock-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 the options expire unexercised, the amount recorded is transferred to deficit.

(Expressed in Canadian Dollars)

7. Related party transactions

Key management compensation

		March 31, 2014		March 31, 2013
Stock-based compensation	$	-	$	45,351

8. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery, based on Canadian federal and provincial tax rates, to the actual income tax recovery is as follows:

		Year ended March 31, 2014		Year ended March 31, 2013
Net loss	$	(184,568)	$	(129,477)
Statutory tax rate		26.0%		25.0%
Expected income tax recovery at the statutory tax rate		(47,988)		(32,369)
Effect of share issuance costs not recognized		-		(16,466)
Non-deductible item and other		5,911		11,338
Effect of change in tax rates		(1,550)		-
Change in valuation allowance		43,627		37,497
Income tax recovery	$	-	$	-

The Company has the following taxable temporary timing differences. No deferred tax assets have been recognized with respect to these tax affected temporary timing differences.

		March 31, 2014		March 31, 2013
Non-capital loss carry-forwards	$	72,107	$	25,582
Share issuance costs		10,275		13,173
		82,382		38,755
Less: valuation allowance		(82,382)		(38,755)
Net deferred income tax asset	$	-	$	-

The tax pools relating to these deductible temporary differences, noted above, expire as follows:

		Non-capital losses		Share issue costs
2032	$	5,030	$	-
2033		74,567		-
2034		197,740		
No expiry		-		39,518
	$	277,337	$	39,518

9. Financial instruments and risks

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:

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 not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company's exposure to credit risk is its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. The Company's credit risk is assessed as low.

Foreign exchange rate risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has no assets or liabilities denominated in foreign currencies; therefore, is not exposed to foreign exchange risk.

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 requires funds to finance its business development activities. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2014:

	Within one year	**Between one and five years**	**More than five years**
Trade payables	$ 49,438	$ -	$ -

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

	Within one year	**Between one and five years**	**More than five years**
Trade payables	$ 9,301	$ -	$ -

(Expressed in Canadian Dollars)

9. Financial instruments and risks (cont'd)

Classification of financial instruments

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

	March 31, 2014	March 31, 2013
Cash	$ 133,902	$ 321,283

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

	March 31, 2014	March 31, 2013
Non-derivative financial liabilities:		
Trade payables	$ 49,438	$ 9,301

Fair values

The fair values of the Company's financial assets and liabilities approximate 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

As at March 31, 2014, the Company's financial assets measured at fair value include cash, which is determined based on Level 1.

10. Capital management

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to complete a Qualifying Transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.