Exito Energy II Inc. (formerly Capitalize Acquisition I Corp.)

Financial Statements

December 31, 2013 and December 31, 2012

Management's Responsibility

To the Shareholders of Exito II Energy Inc. (the "Corporation"):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving financial information. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 28, 2014

Bradley Docherty, President and CEO

April 28, 2014

Independent Auditor's Report

To the Shareholders of Exito Energy II Inc.

We have audited the accompanying financial statements of Exito Energy II Inc. (formerly Capitalize Acquisition I Corp.), which comprise the statements of financial position as at December 31, 2013 and December 31, 2012, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2013 and the period from November 1, 2011 to December 31, 2012, and the related notes, which comprise 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 audit. We conducted our audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Exito Energy II Inc. formerly Capitalize Acquisition I Corp.)as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the year ended December 31, 2013 and the period from November 1, 2011 to December 31, 2012 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

Exito Energy II Inc. (formerly Capitalize Acquisition I Corp.)
Statements of Financial Position

In Canadian Dollars	December 31, 2013 $	December 31, 2012 $
Assets		
Current assets		
Cash and cash equivalents *(note 6)*	613,778	-
Accounts receivable	4,362	-
Total assets	618,140	-
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 13)*	9,607	-
Total liabilities	9,607	-
Shareholders' Equity		
Share capital *(note 7)*	605,906	1
Contributed surplus *(note 7)*	106,070	5,002
Deficit	(103,443)	(5,003)
Total shareholders' equity	608,533	-
Total liabilities and shareholders' equity	618,140	-

Director

Director

The accompanying notes are an integral part of these financial statements

Exito Energy II Inc. (formerly Capitalize Acquisition I Corp.)
Statements of Comprehensive Loss

In Canadian dollars	For the year ended December 31, 2013 $	For the period from November 1, 2011 to December 31, 2012 $
Expenses		
Professional fees *(note 13)*	11,597	-
Office rent and supplies *(note 13)*	13,940	-
Other	1,108	-
Share-based compensation *(note 8)*	74,760	-
	101,405	-
Finance income – interest income	(2,965)	
Total comprehensive loss	98,440	-
Loss per share *(note 9)*	0.01	NM[1]

[1] NM is defined as not meaningful to the financial statements

Exito Energy II Inc. (formerly Capitalize Acquisition I Corp.)
Statement of Changes in Shareholders' Equity

In Canadian Dollars	Number of shares	Deficit $	Share Capital $	Contributed Surplus $	Total Equity $
Balance at November 1, 2011	1	(5,003)	1	5,002	-
Balance at December 31, 2012	1	(5,003)	1	5,002	-
Shares issued *(note 7)*	10,000,000	-	750,000	-	750,000
Share issue costs *(note 7)*	-	-	(117,786)	-	(117,786)
Share-based payments *(note 8)*	-	-	(26,308)	101,068	74,760
Shares cancelled *(note 7)*	(1)	-	(1)	-	(1)
Total comprehensive loss	-	(98,440)	-	-	(98,440)
Balance at December 31, 2013	10,000,000	(103,443)	605,906	106,070	608,533

The accompanying notes are an integral part of these financial statements

In Canadian Dollars	For the year ended December 31, 2013 $	For the period from November 1, 2011 to December 31, 2012 $
Cash flows related to the following activities		
Operating activities		
Net loss for the period	(98,440)	-
Share-based compensation	74,760	-
	(23,680)	-
Net change in non-cash working capital relating to operating activities		-
Accounts receivable	(4,362)	-
Accounts payable and accrued liabilities	9,607	-
Cash used in operating activities	(18,435)	-
Financing activities		
Proceeds from issuance of common shares *(note 7)*	750,000	-
Shares cancelled *(note 7)*	(1)	-
Share issue costs *(note 7)*	(117,786)	-
Cash from financing activities	632,213	-
Increase in cash and cash equivalents	613,778	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	613,778	-
Supplemental cash flow information:		
Interest received	2,717	-

1. Incorporation and operations

Exito Energy II Inc. (formerly Capitalize Acquisition I Corp.) (the "Corporation") was incorporated under the laws of the Province of Alberta on November 11, 2010 and is based in Calgary, Alberta. The Corporation is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") and is listed on the Exchange under the symbol "EXI.P", having commenced trading on May 8, 2013. The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising an option or by any concomitant transaction. The purpose of such an acquisition will be to satisfy the related conditions of a qualifying transaction under the Exchange rules within two years of becoming a CPC (May 8, 2015). The address of the head office of the Corporation is 500, 1414 – 8th Street S.W. Calgary, Alberta.

The financial statements of the Corporation for the year ended December 31, 2013 were authorized for issue in accordance with a resolution of the Board of Directors on April 28, 2014.

In order to complete an acquisition or participate in an operation, 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 complete a qualifying transaction.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

During 2012, the Corporation's year end was changed from October 31st to December 31st, therefore the comparative figures are for the period from November 1, 2011 to December 31, 2012.

2. Basis of preparation

Statement of compliance

The financial statements for the year ended December 31, 2013 and the period from November 1, 2011 to December 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies applied in these annual financial statements have been prepared in accordance with IFRS issued and outstanding as of the date the financial statements were authorized by the Board of Directors.

Basis of preparation

These financial statements have been prepared using historical costs and fair values of certain items, as detailed in the accounting policies set out in Note 3 below. These policies have been applied consistently to all periods presented in these financial statements.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Functional and presentation currency

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

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Financial instruments

The Corporation's financial instruments consist of the following:

i. Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

ii. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, term deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

iii. Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

iv. Other Financial liabilities at amortized cost

Other financial liabilities at amortized cost include accounts payable and accrued liabilities. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid less any required discount to reduce the payables to fair value. Subsequently, other financial liabilities are measured at amortized cost using the effective interest rate method, less any impairment loss.

v. Loans and receivables

Loans and receivables, are measured at amortized cost using the effective interest method, less any impairment loss. Loans and receivables include accounts receivable and cash and cash equivalents.

Share-based payments

The Corporation issues equity-settled share-based payments for services it receives from directors, officers, employees and consultants in consideration for equity instruments of the Corporation.

Where equity-settled share options are granted to employees, directors or officers the fair value of the options at the date of the grant is charged to the statement of comprehensive loss. The Corporation uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. No expense is recognized for awards that do not ultimately vest.

Where equity-settled share options are granted to non-employees they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured using the Black-Scholes pricing model.

All equity-settled share-based payments are reflected in contributed surplus until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is reclassified to share capital.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment in respect of previous periods.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Basic and diluted loss per share

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares applying the treasury stock method.

4. Future accounting pronouncements

Effective January 1, 2013 the Corporation adopted the following standards:

i. **IFRS 7, *Financial Instruments: Disclosures*** – IFRS 7 was amended to provide more extensive quantitative disclosures for financial instruments that are offset in the balance sheet or that are subject to enforceable master netting or similar agreements. The amendment had no impact on the statement of comprehensive loss or the statement of financial position.

ii. **IFRS 13, *Fair Value Measurement*** –IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Corporation adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

The following standards and amendments have not been adopted as they apply to future periods and may result in future changes to existing accounting policies and disclosures. The adoption of these amendments is not expected to have a material impact on the Corporation's financial statements.

i. **IAS 32, *Financial Instruments – Presentation, on asset and liability offsetting*** was issued with amendments in December 2011. The amendments clarify certain aspects of the existing guidance on offsetting financial assets and financial liabilities. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Corporation has assessed that there will be no impact of the adoption on the financial statements currently or retrospectively.

ii. **IFRS 9, *Financial Instruments*.** IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continue to apply. The full impact of this standard will not be known until the amendments addressing impairments, classification and measurement have been completed.

5. Significant accounting estimates and assumptions

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

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred income tax assets are recognized to the extent it is more likely than not to be realized.

Share based payments

The amounts disclosed relating to fair values of stock options issued are based on management's estimates of expected stock price volatility, expected lives of the options, risk-free interest rates and other assumptions. By their nature these estimates are subject to uncertainty and the effect from changes in such estimates in future years could be material.

6. Cash and cash equivalents

The proceeds raised from the issue of share capital 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 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 Exchange.

In Canadian Dollars

7. Share capital

Authorized

The Corporation has authorized an unlimited number of voting common shares and an unlimited number of preferred shares.

Issued and outstanding common shares

	Number of Shares	Amount $
At November 1, 2011	1	1
At December 31, 2012	1	1
Shares issued for cash – January 2013 [(1)]	5,000,000	250,000
Shares issued pursuant to the IPO [(2)]	5,000,000	500,000
Shares cancelled and returned to Treasury	(1)	(1)
Share issue costs [(2)]	-	(144,094)
As at December 31, 2013	10,000,000	605,906

(1) On January 16, 2013, the Corporation issued 5,000,000 shares to third parties and Directors of the Corporation at a price of $0.05 per share for gross proceeds of $250,000. Upon closing of the IPO these shares were deposited into escrow and will be released from escrow over a period of up to three years from the date that the Corporation completes a qualifying transaction. If the issuer resulting from the completion of a qualifying transaction meets the Exchange's Tier 1 initial listing requirements then the period for which these shares will be escrowed will be shortened to 18 months from the date of closing of the qualifying transaction. If the corporation fails to complete a qualifying transaction within 24 months of the closing of the IPO then all escrowed shares held by non-arm's length parties may be cancelled or discounted to create an average purchase price for these escrowed shares equal to the IPO subscription price per share.

(2) On May 7, 2013 the Corporation closed an initial public offering ("IPO") of 5,000,000 common shares at $0.10 per share for gross proceeds of $500,000. Share issue costs of $105,138 were paid related to the initial public offering. The fair value of the agent options granted as a result of the initial public offering (Note 7), of $26,308 were recorded as share issue costs.

Contributed surplus

	Amount $
At November 1, 2011	5,002
At December 31, 2012	5,002
Share issue costs	26,308
Share-based compensation expense	74,760
As at December 31, 2013	106,070

In Canadian Dollars

8. Share-based Payments

The Corporation has adopted a stock option plan (the "Plan") which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and employees of the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Vesting terms will be determined at the time of grant by the Board of Directors.

A summary of the stock option plan transactions for the year ended December 31, 2013 are as follows (there were no stock option transactions prior to May 2013):

	Number of options	Weighted average exercise price
Outstanding at beginning of period	-	$ -
Options granted to directors and officers	1,000,000	0.10
Outstanding at end of period	1,000,000	$ 0.10

All options outstanding were issued on May 13, 2013, vested upon issuance and have a weighted average remaining contractual life of 4.3 years.

The fair value of each share-based payment transaction was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield	0%
Grant date share price	$0.10
Exercise price	$0.10
Expected volatility	100%
Forfeitures	0%
Risk-free interest rate	1.57%
Fair value at grant date	$0.05

The Corporation's stock has less than two years of trading history; therefore the Corporation has used the historical volatilities of certain members of its peer group for input into the Black-Scholes Option Pricing Model.

During the year ended December 31, 2013 the Corporation recorded share-based compensation expense for options granted of $74,760, ($ nil during the period from November 1, 2011 to December 31, 2012) with an offsetting increase to contributed surplus.

Agent compensation options

The Corporation issued agent options as compensation to agents to purchase common shares in conjunction with share issuances.

In Canadian Dollars

A summary of agent option transactions for the year ended December 31, 2013 are as follows (there were no agent compensation option transactions prior to May 2013):

	Number of options	Weighted average exercise price
Outstanding at beginning of year	-	$ -
Options granted	500,000	0.10
Outstanding at December 31, 2013	500,000	$ 0.10

All agent options outstanding vested upon issuance and have a weighted average remaining contractual life of 1.3 years.

The fair value of each share-based payment transaction was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield	0%
Grant date share price	$0.10
Exercise price	$0.10
Expected volatility	100%
Forfeitures	0%
Risk-free interest rate	1.18%
Fair value at grant date	$0.05

The Corporation's stock has less than two years of trading history; therefore the Corporation has used the historical volatilities of certain members of its peer group for input into the Black-Scholes Option Pricing Model.

For the year ended December 31, 2013, the Corporation recorded $26,308 ($ nil during the period from November 1, 2011 to December 31, 2012) as share issue costs for agent options issued with an offsetting increase to contributed surplus.

9. Loss per share

	For the Year ended December 31, 2013	For the period from November 1, 2011 to December 31, 2012
Weighted average common shares outstanding	8,041,096	1
Diluted common shares outstanding	8,041,096	1

The basic and diluted loss per share amounts are the same, as the stock options and agent options were excluded from the dilution calculation, as they were anti-dilutive.

In Canadian Dollars

10. Income Taxes

The net income tax provision differs from that expected by applying the combined federal and provincial income tax rates of 25.0% (2012 – 25.0%):

	For the year ended December 31, 2013	For the period from November 1, 2011 to December 31, 2012
	$	$
Loss for the period before tax	98,440	-
Statutory tax rate	25.0%	25.0%
Expected income tax recovery	24,610	-
Permanent differences:		
Share-based payments	(18,690)	-
Share issue costs for which no deferred tax asset was recognized	29,447	-
Change in unrecognized temporary difference	(35,367)	-
Income tax expense	-	-

The tax benefits of the following temporary differences have not been recognized for accounting purposes.

As at	December 31, 2013 $	December 31, 2012 $
Share issue costs	23,558	-
Loss carry forwards	13,060	1,251
As at December 31, 2013	36,618	1,251

As at December 31, 2013 the Corporation has a non-capital loss carry-forward of $52,240 available to reduce future years' income for tax purposes. This non-capital loss carry-forward has not been recognized in the financial statements and will begin to expire in 2031.

11. Financial instruments and risk management

Fair value of financial instruments:

As at December 31, 2013, the Corporation's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their short-term nature.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation has no financial instruments recorded at fair value through profit and loss.

Risk management

The Corporation is exposed in varying degrees to a variety of financial instrument related risk.

- Credit risk - Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. Credit risk primarily arises from the Corporation's cash and receivables. The risk exposure is limited to their carrying amounts at the statement of financial position date.
- Liquidity risk - Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations and commitments as they become due. The Corporation manages liquidity through the management of its capital structure, as outlined in note 12 of these financial statements. The Corporation's liquidity risk arises as a result of its accounts payable and accrued liabilities.
- Interest rate risk - Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The effect of interest rates increasing by 1% would have a minimal impact on the Corporation's results.
- Currency risk - The Corporation does not have any material exposures to financial instruments denominated in currencies other than the Canadian dollar.

12. Capital disclosures

The Corporation's capital consists of cash and cash equivalents and share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in note 1.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is not subject to any externally or internally imposed capital requirements at December 31, 2013.

13. Related party transactions

Pursuant to an Administration Services Agreement, Exito pays $1,429 per month to a corporation wholly owned by two directors of the Corporation for the use of office space, reception and boardrooms, equipment (including computers, telephones, vehicles, etc.), printing and all other necessary administrative functions and services required to permit Exito to review and evaluate potential Qualifying Transactions. During the year ended December 31, 2013, $12,857 ($nil during the period from November 1, 2011 to December 31, 2012) was paid in accordance with this arrangement.

During the year ended December 31, 2013, $5,400 ($nil during the period from November 1, 2011 to December 31, 2012) in professional fees were incurred from a partnership, for accounting services relating to the preparation of financial statements, in which a Director of the Corporation is a Partner. There was $2,250 in accounts payable and accrued liabilities at December 31, 2013 ($ nil at December 31, 2012) for these professional fees.

During the year ended December 31, 2013, $16,885 ($nil during the period from November 1, 2011 to December 31, 2012) in legal fees was incurred and was paid to a law firm, for legal services, in which a Director of the Corporation is a Partner. $347 of the legal fees were recorded as professional fees and $16,538 related to the IPO and were recorded as share issue costs.

These transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.