Exito Energy II Inc.
Condensed Interim Financial Statements
March 31, 2016
(Unaudited)

Notice of No Auditor Review

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), the condensed interim financial statements have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

In Canadian Dollars	March 31, 2016 $	December 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents *(note 4)*	537,523	547,625
Accounts receivable	2,547	2,037
Total assets	540,070	549,662
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	42,833	40,067
Total liabilities	42,833	40,067
Shareholders' Equity		
Share capital *(note 5)*	605,906	605,906
Contributed surplus *(note 5)*	123,086	120,472
Deficit	(231,755)	(216,783)
Total shareholders' equity	497,237	509,595
Total liabilities and shareholders' equity	540,070	549,662

Subsequent event (note 11)

In Canadian Dollars	Three months ended March 31, 2016 $	2015 $
Expenses		
Professional fees *(note 10)*	3,640	3,075
Office rent and supplies *(note 10)*	4,637	4,330
Filing fee	5,200	5,200
Share based compensation	2,614	-
	16,091	12,605
Finance income – interest income	(1,119)	(1,137)
Net loss and comprehensive loss	14,972	11,468
Loss per share, *(Note 7)*	0.00	0.00

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

In Canadian Dollars	Number of shares	Deficit $	Share Capital $	Contributed Surplus $	Total Equity $
Balance at December 31, 2014	10,000,000	(162,777)	605,906	106,070	549,199
Net loss and comprehensive loss	-	(11,468)	-	-	(11,468)
Balance at March 31, 2015	10,000,000	(174,245)	605,906	106,070	537,731
Balance at December 31, 2015	10,000,000	(216,783)	605,906	120,472	509,595
Net loss and comprehensive loss	-	(14,972)	-	-	(14,972)
Share-based compensation *(note 6)*	-	-	-	2,614	2,614
Balance at March 31, 2016	10,000,000	(231,755)	605,906	123,086	497,237

	Three months ended March 31,	
In Canadian Dollars	**2016** **$**	**2015** **$**
Cash flows related to the following activities		
Operating activities		
Net loss for the period	(14,972)	(11,468)
Share-based compensation	2,614	-
	(12,358)	(11,468)
Net change in non-cash working capital relating to operating activities		
Accounts receivable	(510)	8,224
Accounts payable and accrued liabilities	2,766	(1,079)
Cash used in operating activities	(10,102)	(4,323)
Decrease in cash and cash equivalents	(10,102)	(4,323)
Cash resources, beginning of period	547,625	586,589
Cash resources, end of period	537,523	582,266
Supplemental cash flow information:		
Interest received	1,119	1,825

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

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 1110, 335 – 8th Ave S.W. Calgary, Alberta.

The condensed interim financial statements of the Corporation for the three months ended March 31, 2016 were authorized for issue in accordance with a resolution of the Board of Directors on May 26, 2016.

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.

The Corporation entered into a letter of intent with Millennium Stimulation Services Ltd. ("Millennium") dated November 13, 2014 (the "Letter Agreement"), pursuant to which the Corporation intended to acquire all of the issued and outstanding common shares of Millennium (the "Millennium Shares"), to be effected by way of an amalgamation pursuant to the *Business Corporations Act* (Alberta). See "Subsequent Events".

On February 16, 2016, the Corporation's deadline for completing a qualifying transaction was extended by the TSXV until May 13, 2016. If a qualifying transaction is not completed by this date the Corporation may be de-listed and/or transferred to the NEX Exchange.

On March 29, 2016, the Corporation entered a non-binding term sheet (the "Term Sheet") with MagneticNorth Partners, Inc. ("Magnetic"). The Term Sheet contemplates the acquisition of all of the issued and outstanding common shares of Magnetic by the Corporation as well as various changes to the Corporation's management team and board of directors. The transaction contemplated by the Term Sheet remains subject to numerous conditions, including but not limited to: (i) a more formal letter of intent and a definitive agreement being entered between the Corporation and Magnetic; (ii) approval of the Corporation's shareholders; and (iii) approval of the TSXV.

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 de-list the Corporation's shares from trading. In May 2015, the shares of the Corporation were suspended from trading on the Exchange.

2. Basis of preparation

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These condensed interim financial statements do not include all of the information required for full annual financial statements. The condensed interim financial statements should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2015.

Basis of preparation

These condensed interim 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 condensed interim financial statements.

Use of estimates and judgments

The preparation of condensed interim 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 interim condensed 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. Areas where estimates are significant to the condensed interim financial statements are disclosed in note 5 of the December 31, 2015 annual financial statements.

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 and changes to accounting policies

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as described in note 3 of the Corporation's annual financial statements for the year ended December 31, 2015. The disclosures provided below are incremental to those included with the annual financial statements and certain disclosures, which are normally required to be included in the notes to the annual financial statements, have been condensed or omitted.

Future Accounting Pronouncements

There were no new or amended standards issued during the three months ended March 31, 2016 that are applicable to the Company in future periods. A description of standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual financial statements for the year ended December 31, 2015.

4. 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 the lessor of up to 30% of the gross proceeds or $210,000 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.

5. Share capital

Authorized

The Corporation has authorized an unlimited number of voting common shares and an unlimited number of preferred shares at no par value.

Issued and outstanding common shares

	Number of Shares	Amount $
At December 31, 2014	10,000,000	605,906
At December 31, 2015	10,000,000	605,906
At March 31, 2016	10,000,000	605,906

In Canadian Dollars

(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 December 31, 2014	106,070
Share-based compensation	14,402
As at December 31, 2015	120,472
Share-based compensation	2,614
As at March 31, 2016	123,086

6. Share-based compensation

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 since the Corporation's inception are as follows:

	Number of options	**Weighted average exercise price**
Outstanding at December 31, 2013	1,000,000	$ 0.10
Outstanding at December 31, 2014	1,000,000	$ 0.10
Outstanding at December 31, 2015	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 2.1 years.

In Canadian Dollars

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 three 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.

Agent compensation options

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

A summary of agent option transactions are as follows:

	Number of options	Weighted average exercise price
Outstanding at December 31, 2014	500,000	$ 0.10
Expired	(500,000)	$ 0.10
Options granted to agent	500,000	$ 0.10
Outstanding at December 31, 2015	500,000	$ 0.10
Outstanding December 31, 2016	500,000	$ 0.10

As of July 14, 2015, the Exchange consented to the extension in the expiry date of the agent's options. However, since the previous options had expired the Corporation issued new options with the original terms, other than the expiry date. The new expiry date is the earliest of: delisting of the Corporation's shares, transfer to NEX Exchange (a separate board of the Exchange) upon failing to complete a qualifying transaction within the time frame prescribed by the Exchange or issuance of the final bulletin for acceptance of a qualifying transaction. Management anticipates that one of these events will occur in 2016. The exercise price remains at $0.10 per common share.

All options outstanding were issued on July 14, 2015, vested upon issuance and have a weighted average remaining contractual life of 0.17 years, based on the expiry date occurring in May 2016.

In Canadian Dollars

The fair value of each share-based 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	96%
Forfeitures	0%
Risk-free interest rate	.6%
Fair value at grant date	$ 0.0288

During the period ended March 31, 2016, the Corporation recorded share-based compensation expense for options granted of $2,614 ($14,402 December 31, 2015) as the expiry date of the agent's options was extended to May 2016 from February 2016.

7. Loss per share

	Three months ended March 31, 2016	2015
Weighted average common shares outstanding	10,000,000	10,000,000
Diluted common shares outstanding	10,000,000	10,000,000

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.

8. Income taxes

The net income tax provision differs from that expected by applying the combined federal and provincial income tax rates of 27.0% (2015 – 27.0%):

	Three months ended March 31, 2016 $	2015 $
Loss for the period before tax	14,972	11,468
Statutory tax rate	27.0%	25.0%
Expected income tax recovery	4,042	2,867
Permanent differences:		
Share based payments	706	-
Change in Enacted Tax Rates	-	(2,867)
Change in unrecognized temporary difference	3,337	11,468
Income tax expense	-	-

In Canadian Dollars

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

	March 31, 2016 $	December 31, 2015 $
Share issue costs	11,131	12,721
Loss carry forwards	58,466	53,539
	69,596	66,260

As at March 31, 2016, the Corporation has a non-capital loss carry-forward of $58,466 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.

9. Financial instruments and risk management

Fair value of financial instruments:

As at March 31, 2016, 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 the annual financial statements for the year ended December 31, 2015. 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%, with all other variables held constant, would have cause the corporation comprehensive loss to decrease by $5,048.

- Currency risk - The Corporation does not have any material exposures to financial instruments denominated in currencies other than the Canadian dollar.

10. 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 three months ended March 31, 2016, $4,286 ($4,286 during the three months ended March 31, 2015) There was $nil in accounts payable and accrued liabilities at March 31, 2016 ($nil at March 31, 2015) relating to this arrangement.

During the three months ended March 31, 2016, $565 ($nil during the three months ended March 31, 2015) in legal fees were incurred for legal services, in which a Director of the Corporation is a Partner. There was $31,208 in accrued liabilities at March 31, 2016 ($35,000 at March 31, 2015) related to business acquisition costs recorded in Q4 2014 for the due diligence process associated with the proposed business combination with Millennium.

11. Subsequent events

On April 13, 2016, the Letter Agreement expired.