

Exito Energy II Inc.
Condensed Interim Financial Statements
June 30, 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.

Exitto Energy II Inc.
Condensed Interim Statements of Financial Position

In Canadian Dollars	June 30, 2016 \$	December 31, 2015 \$
Assets		
Current assets		
Cash and cash equivalents <i>(note 4)</i>	521,303	547,625
Accounts receivable	1,439	2,037
Total assets	522,742	549,662
 Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	36,451	40,067
Total liabilities	36,451	40,067
 Shareholders' Equity		
Share capital <i>(note 5)</i>	605,906	605,906
Contributed surplus <i>(note 5)</i>	124,296	120,472
Deficit	(243,911)	(216,783)
Total shareholders' equity	486,291	509,595
Total liabilities and shareholders' equity	522,742	549,662

Subsequent event (note 11)

Exito Energy II Inc.
Condensed Interim Statements of Comprehensive Loss

In Canadian Dollars	Three months ended June 30,		Six months ended June 30,	
	2016 \$	2015 \$	2016 \$	2015 \$
Expenses				
Professional fees (<i>note 10</i>)	3,650	6,335	7,290	9,410
Office rent and supplies (<i>note 10</i>)	6,840	5,101	11,477	9,431
Filing fee	1,599	500	6,799	5,700
Share based compensation	1,210	-	3,824	-
	13,299	11,936	29,390	24,541
Finance income – interest income	(1,143)	(1,077)	(2,262)	(2,214)
Net loss and comprehensive loss	12,156	10,859	27,128	22,327
Loss per share, (Note 7)	0.00	0.00	0.00	0.00

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

Exito Energy II Inc.
Condensed Interim Statements of Changes in Shareholders' Equity

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	-	(22,327)	-	-	(22,327)
Balance at June 30, 2015	10,000,000	(185,104)	605,906	106,070	526,872
Balance at December 31, 2015	10,000,000	(216,783)	605,906	120,472	509,595
Net loss and comprehensive loss	-	(27,128)	-	-	(27,128)
Share-based compensation (<i>note 6</i>)	-	-	-	3,824	3,824
Balance at June 30, 2016	10,000,000	(243,911)	605,906	124,296	486,291

Exito Energy II Inc.
Condensed Interim Statements of Cash Flows

In Canadian Dollars	Three months ended June 30,		Six months ended June 30,	
	2016 \$	2015 \$	2016 \$	2015 \$
Cash flows related to the following activities				
Operating activities				
Net loss for the period	(12,156)	(10,859)	(27,128)	(22,327)
Share-based compensation	1,210	-	3,824	-
	(10,946)	(10,859)	(23,304)	(22,327)
Net change in non-cash working capital relating to operating activities				
Accounts receivable	1,108	(901)	598	7,323
Accounts payable and accrued liabilities	(6,382)	(9,547)	(3,616)	(10,626)
Cash used in operating activities	(16,220)	(21,307)	(26,322)	(25,630)
Decrease in cash and cash equivalents	(16,220)	(21,307)	(26,322)	(25,630)
Cash resources, beginning of period	537,523	582,266	547,625	586,589
Cash resources, end of period	521,303	560,959	521,303	560,959
Supplemental cash flow information:				
Interest received	1,143	1,329	2,262	3,154

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

Exito Energy II Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015
In Canadian Dollars

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 June 30, 2016 were authorized for issue in accordance with a resolution of the Board of Directors on August 29, 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, 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). This agreement expired on April 13, 2016.

On February 16, 2016, the Corporation's deadline for completing a qualifying transaction was extended by the TSXV until May 13, 2016. The TSXV continues to provide the Corporation with time to complete a qualifying transaction.

On March 29, 2016, the Corporation entered a non-binding term sheet (the "Term Sheet") with MagneticNorth Partners, Inc. ("Magnetic"). The Term Sheet contemplated 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. On June 3, 2016, the Corporation signed a non-binding letter of intent (the "LOI") with the principals of Magnetic, namely Andrew Osis and Kevin Spall (the "Vendors"), to acquire all of the Vendors' interests in various private equity investments, to have the Vendors become the management of the Corporation and to change the Corporation's name to MagneticNorth Partners Corp. The transaction contemplated by the LOI is subject to numerous conditions, including but not limited to: (i) a definitive agreement being entered between the Corporation and the Vendors; (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.

Exito Energy II Inc.
Notes to the Condensed Interim Financial Statements
For the three and six months ended June 30, 2016 and 2015
In Canadian Dollars

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 six months ended June 30, 2016 that are applicable to the Corporation in future periods. A description of standards and interpretations that will be adopted by the Corporation 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

Exito Energy II Inc.
Notes to the Condensed Interim Financial Statements
For the three and six months ended June 30, 2016 and 2015
In Canadian Dollars

At December 31, 2015	10,000,000	605,906
At June 30, 2016	10,000,000	605,906

- (1) On January 16, 2013, the Corporation issued 5,000,000 common 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 IPO. 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	3,824
As at June 30, 2016	124,296

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, 2014	1,000,000	\$ 0.10
Outstanding at December 31, 2015	1,000,000	\$ 0.10
Outstanding at June 30, 2016	1,000,000	\$ 0.10

All options outstanding were issued on May 13, 2013, vested upon issuance and have a weighted average

Exito Energy II Inc.
Notes to the Condensed Interim Financial Statements
For the three and six months ended June 30, 2016 and 2015
In Canadian Dollars

remaining contractual life of 1.9 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 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 June 30, 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 earlier 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.

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 June 30, 2016, the Corporation recorded share-based compensation expense for options granted of \$3,824 (\$14,402 - December 31, 2015) as the expiry date of the agent's options was extended.

Exito Energy II Inc.
Notes to the Condensed Interim Financial Statements
For the three and six months ended June 30, 2016 and 2015
In Canadian Dollars

7. Loss per share

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Weighted average common shares outstanding	10,000,000	10,000,000	10,000,000	10,000,000
Diluted common shares outstanding	10,000,000	10,000,000	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 – 25.0%):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Loss for the period before tax	12,156	10,435	27,128	22,327
Statutory tax rate	27.0%	25.0%	27.0%	25.0%
Expected income tax recovery	3,283	2,609	7,325	5,582
Permanent differences:				
Share based payments	326	-	1,033	-
Change in unrecognized temporary difference	2,957	2,609	6,292	5,582
Income tax expense	-	-	-	-

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

	June 30, 2016	December 31, 2015
	\$	\$
Share issue costs	9,541	12,721
Loss carry forwards	63,011	53,539
	72,552	66,260

As at June 30, 2016, the Corporation has a non-capital loss carry-forward of \$63,011 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 June 30, 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.

Exito Energy II Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015
In Canadian Dollars

- 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 \$5,021.
- 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 and six months ended June 30, 2016, \$4,286 and \$8,572 (2015 - \$4,286 and 8,572) was paid in accordance with this arrangement. There was \$nil in accounts payable and accrued liabilities at June 30, 2016 (\$nil at June 30, 2015) relating to this arrangement.

During the three and six months ended June 30, 2016, \$375 and \$940 (2015 - \$nil and \$nil) in legal fees were incurred, relating to a law firm in which a Director of the Corporation is a Partner. There was \$31,208 in accrued liabilities at June 30, 2016 (\$35,000 at June 30, 2015) related to business acquisition costs recorded in Q4 2014 for the due diligence process associated with the proposed business combination with Millennium. There was \$394 in accounts payable at June 30, 2016 (\$nil at June 30, 2015) relating to general legal service fees.