

## **SYD FINANCIAL INC.**

**Financial Statements  
March 31, 2016 and 2015  
(Expressed in Canadian Dollars)**

<b><u>Index</u></b>	<b><u>Page</u></b>
<b>Independent Auditors' Report to the Shareholders</b>	<b>1</b>
<b>Financial Statements</b>	
Statements of Financial Position	2
Statements of Loss and Comprehensive Loss	3
Statements of Changes in Equity	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 – 13

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF SYD FINANCIAL INC.

We have audited the accompanying financial statements of SYD Financial Inc., which comprise the statements of financial position as at March 31, 2016 and 2015, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year ended March 31, 2016 and 42-day period ended March 31, 2015, 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.

#### *Auditors' 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 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 auditors' 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 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 SYD Financial Inc. as at March 31, 2016 and 2015, and its financial performance and its cash flows for the year ended March 31, 2016 and 42-day period ended March 31, 2015 in accordance with International Financial Reporting Standards.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.



Chartered Professional Accountants

Vancouver, British Columbia  
July 28, 2016

**SYD FINANCIAL INC.**  
**Statements of Financial Position**  
**March 31**  
**(Expressed in Canadian Dollars)**

	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash	\$ -	\$ 1
Cash held in trust	168	-
GST receivable	756	-
Promissory note (note 5)	29,000	-
	\$ 29,924	\$ 1
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 4,436	\$ -
<b>Equity</b>		
<b>Share Capital</b> (note 6)	44,000	1
<b>Deficit</b>	(18,512)	-
	25,488	1
	\$ 29,924	\$ 1

Approved on behalf of the Board:

Keith Anderson (signed)  
Keith Anderson, Director

Blair Naughty, (signed)  
Blair Naughty, Director

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

**SYD FINANCIAL INC.**  
**Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	<b>Year Ended March 31, 2016</b>	<b>42-Day Period Ended March 31, 2015</b>
<b>Expenses</b>		
Accounting, legal and audit	\$ 15,694	\$ -
Transfer agent and filing fees	2,818	-
<b>Loss and Comprehensive Loss for the Period</b>	<b>\$ 18,512</b>	<b>\$ -</b>
<b>Basic and Diluted Loss Per Share</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number of Common Shares Outstanding - Basic and Diluted</b>	<b>1,561,096</b>	<b>1</b>

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

**SYD FINANCIAL INC.**  
**Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**

	Number of Shares	Share Capital	Deficit	Total
<b>Balance, February 18, 2015</b>				
Share issued for cash on incorporation	- 1	\$ 1	- 1	\$ 1
<b>Balance, March 31, 2015</b>				
Shares issued for plan of arrangement	1 2,200,000	1 44,000	- -	1 44,000
Share redeemed	(1)	(1)	-	(1)
Loss for the year	-	-	(18,512)	(18,512)
<b>Balance, March 31, 2016</b>	2,200,000	\$ 44,000	\$ (18,512)	\$ 25,488

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

**SYD FINANCIAL INC.**  
**Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

	<b>Year Ended March 31, 2016</b>	<b>42-Day Period Ended March 31, 2015</b>
<b>Operating Activities</b>		
Net loss	\$ (18,512)	\$ -
Changes in non-cash working capital		
GST receivable	(756)	-
Accounts payable and accrued liabilities	4,436	-
<b>Cash Used in Operating Activities</b>	<b>(14,832)</b>	<b>-</b>
<b>Financing Activities</b>		
Cash received on plan of arrangement	15,000	-
Cash received on incorporation	-	1
Share redeemed	(1)	-
<b>Cash Provided by Financing Activities</b>	<b>14,999</b>	<b>1</b>
<b>Inflow of Cash</b>	<b>167</b>	<b>1</b>
<b>Cash, Beginning of Period</b>	<b>1</b>	<b>-</b>
<b>Cash, End of Period</b>	<b>\$ 168</b>	<b>\$ 1</b>

At March 31, 2016, cash of \$168 (2015 - \$nil) was held in trust.

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

## **SYD FINANCIAL INC.**

### **Notes to the Financial Statements**

**For the Year Ended March 31, 2016 and the 42-Day Period Ended March 31, 2015**  
**(Expressed in Canadian Dollars)**

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#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

SYD Financial Inc. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on February 18, 2015. The principal business of the Company is to identify, evaluate and then acquire an interest in a business or assets. On July 16, 2015, the Company entered into a Plan of Arrangement ("Arrangement") with Alchemist Mining Inc. ("Alchemist"), and became a reporting issuer in the provinces of British Columbia, Alberta and Ontario (note 5). The address of its head office is located at 1288 Steeple Drive, Coquitlam, British Columbia, Canada V3E 1K2.

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's continuing operations, as intended, are dependent upon its ability to identify, raise sufficient financing, evaluate and negotiate an acquisition of or participation in an interest in properties, assets or businesses.

These conditions represent a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

#### **2. BASIS OF PRESENTATION**

(a) Statement of compliance

These financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

The significant accounting policies set out in note 3 have been applied consistently to all periods presented.

(b) Approval of the financial statements

The financial statements of the Company for the year ended March 31, 2016 were reviewed by the Audit Committee and approved and authorized for issue on July 28, 2016 by the Board of Directors of the Company.

(c) Basis of presentation

These financial statements are presented in Canadian dollars, which is also the Company's functional currency. The financial statements of the Company have been prepared on an accrual basis except for cash flow information, and are based on historical costs, except for certain financial instruments, which are stated at their fair values.

## **SYD FINANCIAL INC.**

### **Notes to the Financial Statements**

**For the Year Ended March 31, 2016 and the 42-Day Period Ended March 31, 2015**  
**(Expressed in Canadian Dollars)**

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### **3. SIGNIFICANT ACCOUNTING POLICIES**

(a) Financial instruments

(i) Financial assets

The Company classifies its financial assets as fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

*Fair value through profit or loss*

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment.

*Held-to-maturity investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of available-for-sale financial assets are recognized as other comprehensive income and classified as a component of equity.

Management assesses the carrying value of available-for-sale financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit or loss.

## **SYD FINANCIAL INC.**

### **Notes to the Financial Statements**

**For the Year Ended March 31, 2016 and the 42-Day Period Ended March 31, 2015**

**(Expressed in Canadian Dollars)**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(a) Financial instruments (Continued)

(ii) Financial liabilities

The Company classifies its financial liabilities as other financial liabilities.

*Other financial liabilities*

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

(b) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## **SYD FINANCIAL INC.**

### **Notes to the Financial Statements**

**For the Year Ended March 31, 2016 and the 42-Day Period Ended March 31, 2015**  
**(Expressed in Canadian Dollars)**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(c) Earnings (loss) per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method for calculating. Under the treasury stock method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(d) New and revised accounting standards issued but not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early-adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have an impact on the Company's financial statements.

#### **IFRS 9 *Financial Instruments***

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*  
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

## **SYD FINANCIAL INC.**

### **Notes to the Financial Statements**

**For the Year Ended March 31, 2016 and the 42-Day Period Ended March 31, 2015**  
**(Expressed in Canadian Dollars)**

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (d) New and revised accounting standards issued but not yet effective (Continued)

##### **IFRS 9 *Financial Instruments* (Continued)**

- *Classification and measurement of financial liabilities:*  
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*  
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*  
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Issued by the IASB July 2014; effective for annual periods beginning April 1, 2018.

##### ***Annual Improvements 2012-2014 Cycle***

The following standards have been revised to incorporate amendments issued by the IASB:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* – Clarifies the application of guidance when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution (or vice versa), and the circumstances in which an asset (or disposal group) no longer meets the criteria for held for distribution.
- IFRS 7 *Financial Instruments: Disclosures* – Clarifies guidance on servicing contracts and the applicability of the amendments to IFRS 7 regarding offsetting financial assets and financial liabilities to interim financial statements.
- IAS 19 *Employee Benefits* – Clarifies the application of the discount rate requirements for currencies for which there is no deep market in high quality corporate bonds.
- IAS 34 *Interim Financial Reporting* – Clarifies the meaning of disclosure of information "elsewhere in the interim financial report."

Issued by the IASB September 2014; effective for annual periods beginning April 1, 2016.

## **SYD FINANCIAL INC.**

### **Notes to the Financial Statements**

**For the Year Ended March 31, 2016 and the 42-Day Period Ended March 31, 2015**  
**(Expressed in Canadian Dollars)**

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#### **4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company classifies its financial instruments as follows:

- Cash held in trust is classified as FVTPL;
- Promissory note is classified as loans and receivables; and
- Accounts payable and accrued liabilities is classified as other financial liabilities.

The carrying values of the promissory note and accounts payable and accrued liabilities approximate their fair values.

The Company's risk exposure and the impact on the Company's financial instruments is summarized below:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing at major Canadian financial institutions. The Company has minimal credit risk. The Company has credit risk with respect to the promissory note receivable.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. At March 31, 2016, the Company has cash held in trust of \$168 available to apply against short-term business requirements and current liabilities of \$4,436. All of the liabilities are due within 90 days.

#### **5. PLAN OF ARRANGEMENT**

The Company was incorporated as a wholly owned subsidiary of Alchemist and on July 16, 2015, completed the Arrangement with Alchemist. Pursuant to the Arrangement, the Company issued 2,200,000 common shares to shareholders of Alchemist in exchange for Class 3 reorganization shares of Alchemist.

Alchemist subsequently redeemed all of the Class 3 reorganization shares by the transfer to the Company of \$15,000 in cash and a promissory note in the principal amount of \$29,000, and the Company redeemed the initial one common share held by Alchemist for \$1, with the result that the shareholders of Alchemist held all the shares of the Company. The promissory note is due on demand and bears no interest.

## **SYD FINANCIAL INC.**

### **Notes to the Financial Statements**

**For the Year Ended March 31, 2016 and the 42-Day Period Ended March 31, 2015**

**(Expressed in Canadian Dollars)**

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#### **6. SHARE CAPITAL**

(a) Authorized

Unlimited number of common shares and preferred shares without par value

(b) Issued and outstanding

Year Ended March 31, 2016

On July 16, 2015, as part of the Arrangement with Alchemist, the Company issued 2,200,000 common shares of the Company to shareholders of Alchemist. Concurrent with the Arrangement, the Company redeemed one common share issued on incorporation.

42-Day Period Ended March 31, 2015

On February 18, 2015, the date of incorporation, the Company issued one common share at a price of \$0.01.

#### **7. CAPITAL MANAGEMENT**

The Company is actively looking to acquire an interest in a business or assets and this involves a high degree of risk. The Company has not determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations, and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid. There have been no changes to the Company's approach to capital management during the year ended March 31, 2016.

**SYD FINANCIAL INC.****Notes to the Financial Statements****For the Year Ended March 31, 2016 and the 42-Day Period Ended March 31, 2015****(Expressed in Canadian Dollars)****8. INCOME TAXES**

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	<b>2016</b>	<b>2015</b>
Net loss for the period	\$ (18,512)	\$ -
Statutory income tax rate	26%	26%
Income tax benefit computed at statutory tax rate	(4,813)	-
Unrecognized benefit of income tax losses	4,813	-
Income tax benefit	\$ -	\$ -

The Company has non-capital losses of \$18,500 available for carry-forward to reduce future years' income for income tax purposes. These losses expire in 2036. The Company has not recognized any deferred tax assets with respect to these non-capital losses.