3 TIER LOGIC INC.

INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

(Expressed in Canadian Dollars)

(Unaudited)

3 Tier Logic Inc.
Interim Statements of Financial Position
As at March 31, 2014 and December 31, 2013
(Expressed in Canadian Dollars)

	March 31, 2014	December 31, 2013
	$	$
ASSETS		
CURRENT		
Cash	**719,291**	-
Accounts receivable	**23,874**	980
Prepaids and other assets	**51,319**	22,123
Current assets	**794,484**	23,103
NON-CURRENT		
Equipment (Note 6)	**10,111**	10,745
Total assets	**804,595**	33,848
LIABILITIES		
CURRENT		
Accounts payable and other liabilities (Note 12)	**146,630**	220,604
Deferred revenue	**58,304**	71,959
Short-term loan (Note 7)	**25,000**	-
Convertible debenture (Note 7)	**915,012**	-
Interest payable	**7,208**	-
Derivative liability (Note 7)	**89,224**	-
Due to related party (Note 9)	**25,435**	6,215
Total liabilities	**1,266,813**	298,778
EQUITY (DEFICIT)		
Share capital (Note 8)	**775,075**	775,075
Share-based payment reserve (Note 8)	**1,329,653**	1,081,856
Deficit	**(2,566,946)**	(2,121,861)
Total deficit	**(462,218)**	(264,930)
Total equity and liabilities	**804,595**	33,848

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

GOING CONCERN (Note 2)
SUBSEQUENT EVENT (Note 14)

Approved on behalf of the Board

Director *"Robert Craig"*
Robert Craig

Director *"Carlos Yong"*
Carlos Yong

3 Tier Logic Inc.
Interim Statements of Comprehensive Loss
For the three-month periods ended March 31, 2014 and 2013
(Expressed in Canadian dollars, except number of shares)

	Three months ended March 31, 2014	Three months ended March 31, 2013
REVENUE	**$ 79,000**	$ 262,978
COST OF SALES (Note 13)	**37,970**	55,229
GROSS PROFIT	**41,030**	207,749
OPERATING EXPENSES		
General and administrative (Note 13)	**79,452**	61,110
Sales and marketing (Note 13)	**70,051**	56,236
Research and development (Note 13)	**69,197**	72,697
Share-based compensation (Note 8)	**247,797**	26,408
Depreciation (Note 6)	**634**	958
TOTAL OPERATING EXPENSES	**467,131**	217,409
OPERATING LOSS	**(426,101)**	(9,660)
OTHER ITEMS:		
Interest expense	**(10,108)**	-
Foreign exchange (loss)	**(8,876)**	(51)
NET AND COMPREHENSIVE LOSS	**$ (445,085)**	$ (9,711)
LOSS PER SHARE		
Basic and diluted loss per share	**$ (0.04)**	$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	**10,000,000**	10,000,000

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

3 Tier Logic Inc.
Interim Statements of Changes in Equity
For the three-month periods ended March 31, 2014 and 2013
(Expressed in Canadian Dollars, except number of shares)

	Number of Common shares	Share capital	Share-based payment reserve	Deficit	Total
		$	$	$	$
Balance as at January 1, 2013	**10,000,000**	**775,075**	**974,720**	**(1,508,476)**	**241,319**
Share-based compensation	-	-	26,408	-	26,408
Net and comprehensive loss	-	-	-	(9,711)	(9,711)
Balance as at March 31, 2013	**10,000,000**	**775,075**	**1,001,128**	**(1,518,187)**	**258,016**
Balance as at January 1, 2014	**10,000,000**	**775,075**	**1,081,856**	**(2,121,861)**	**(264,930)**
Share-based compensation	-	-	247,797	-	247,797
Net and comprehensive loss	-	-	-	(445,085)	(445,085)
Balance as at March 31, 2014	**10,000,000**	**775,075**	**1,329,653**	**(2,566,946)**	**(462,218)**

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

3 Tier Logic Inc.
Interim Statements of Cash Flows
For the three-month periods ended March 31, 2014 and 2013
(Expressed in Canadian Dollars)

	Three months ended March 31, 2014	Three months ended March 31, 2013
OPERATING ACTIVITIES		
Net loss	**$ (445,085)**	$ (9,711)
Items not affecting cash:		
Share-based compensation	**247,797**	26,408
Depreciation	**634**	958
	(196,654)	17,655
Net changes in working capital items (Note 11)	**(132,511)**	(47,053)
	(329,165)	(29,398)
FINANCING ACTIVITIES		
Convertible debenture	**1,004,236**	-
Short-term loan	**25,000**	-
Net changes in related-party loan	**19,220**	550
	1,048,456	550
INCREASE (DECREASE) CASH	**719,291**	(28,848)
CASH - BEGINNING OF YEAR	-	32,694
CASH - END OF YEAR	**$ 719,291**	$ 3,846

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

1. INCORPORATION AND NATURE OF OPERATIONS

3 Tier Logic Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on October 17, 2008. The head and registered office of the Company is located at 422 Richards Street, Suite 160, Vancouver, BC, V6B 2Z4. On January 4, 2010, the Company's name was changed to 3 Tier Logic Inc. from 3 Tier Logic Canada Inc.

The Company produces and sells software products that use social media to allow companies to better engage with their end customers. The Company sells its products in Canada and the United States.

On March 10, 2014, the Company entered into a Share Exchange Agreement with KCO Capital Inc. ("KCO") a company listed and publicly traded on the TSX Venture Exchange ("TSX-V") as a Capital Pool Company ("CPC"). Under the terms of the Share Exchange Agreement, KCO will issue 36,000,000 shares of KCO to the shareholders of the Company in exchange for all of the issued and outstanding shares of the Company ("Share Exchange Agreement"). Legally, the Company will be a wholly-owned subsidiary of KCO. However, the proposed Share Exchange Agreement will result in a share allocation such that the Company will control KCO. Referred to as a reverse take over, the Company will be deemed to be the acquirer for accounting purposes. Upon completion of the transaction, 3TL will cancel its outstanding options and KCO will issue 4,180,000 new options to the various option holders of 3TL at an exercise price of $0.25 and the same vesting and expiry terms as the original 3TL options.

The above Share Exchange Agreement with KCO is subject to the approval of the TSX-V.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

a. Statement of Compliance

These interim financial statements (the interim financial statements) are for the three months ended March 31, 2014 and are presented in Canadian dollars, which is the functional currency. They have been prepared in accordance with IAS 34 "Interim Financial reporting" (IAS 34). They do not include all of the information required in annual financial statements in accordance with IFRSs, and should be read in conjunction with the financial statements for the year ended December 31, 2013.

These interim financial statements were authorized for issue by the directors of the Company on August 29, 2014.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (continued)

b. Going Concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, and prior operating results. As at March 31, 2014, the Company has incurred accumulated losses of $2,566,946. These uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations will depend upon, but not be limited to, obtaining additional financing and generating revenues sufficient to cover its operating costs.

Management is of the opinion that it will be in a position to raise ongoing financing as needed; however, there is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

c. Basis of measurement

These financial statements have been prepared on the historical cost basis, except for where IFRS requires recognition at fair value.

d. Functional and presentation currency

These financial statements are presented in Canadian dollars which is the functional currency of the Company.

e. Significant Estimates Assumptions and Judgements

When preparing the condensed interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the condensed interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual financial statements for the year ended December 31, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended December 31, 2013.

4. CAPITAL MANAGEMENT

The Company considers cash and share capital as capital.

The Company manages its capital structure to safeguard its ability to operate as a going concern, to provide sufficient resources to meet day-to-day operating requirements, to grow the business of the Company through increased sales and to improve existing products and develop new products.

The Company's management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

5. FINANCIAL RISK

a. Fair value

The fair value of the Company's financial assets and liabilities approximate their carrying value due to their short-term nature.

The Company's financial assets and liabilities are classified and measured as follows:

Asset/Liability	*Category*	*Measurement*
Cash	Fair value through profit or loss	Fair value
Trade receivables	Loans and receivables	Amortized cost
Trade payables	Other financial liability	Amortized cost
Due to shareholders	Other financial liability	Amortized cost
Derivative liability	Fair value through profit or loss	Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – inputs that are not based on observable market data.

As at March 31, 2014, the Company measures its cash at fair value on a reporting period basis using Level 1 indicators. The fair value of cash is determined by reference to non-restricted funds available to the Company.

During the period, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities.

5. FINANCIAL RISK (continued)

b. Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk through budgeting, ongoing management and forecasting of operating cash flows, reviews of trade receivables, management of cash, and use of equity financings when appropriate. The Company believes that it will generate sufficient funds from operations and financing activities to cover the expected short and long term cash requirements.

c. Currency risk

The Company's functional and reporting currency is the Canadian dollar. The Company's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to the United States dollar ("USD") as some of the Company's revenues and expenses are in USD. To limit the impact of fluctuations of the Canadian dollar over the foreign currencies, the Company matches, in general and when possible, the cash receipts in a foreign currency with the cash disbursements in the same foreign currency. The Company does not use derivative financial instruments to cover the variability of cash flows in foreign currencies.

d. Credit risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. Trade receivables are the most significant financial instrument that is exposed to credit risk.

The Company provides credit to its customers in the normal course of operations. To minimize this risk, the Company grants credit to creditworthy customers and requires a portion of payment in advance.

The Company believes that its exposure to credit risk is low, at present, due to a small number of customers. The maximum exposure to loss arising from trade receivables is equal to their total carrying amounts.

e. Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Management does not believe that the Company is exposed to any material market risk.

6. EQUIPMENT

	Computer Equipment			Office Furniture and Equipment			
	Cost **$**	**Accumulated Depreciation** **$**	**Net Book Value** **$**	**Cost** **$**	**Accumulated Depreciation** **$**	**Net Book Value** **$**	**Total Net Book Value** **$**
December 31, 2012	29,164	(26,698)	2,466	20,779	(8,735)	12,044	**14,510**
Depreciation		(555)			(403)		**(958)**
March 31, 2013	29,164	(27,253)	2,466	20,779	(9,138)	12,044	**13,552**
December 31, 2013	29,164	(28,054)	1,110	20,779	(11,144)	9,635	**10,745**
Depreciation		(153)	(153)		(481)	(481)	**(634)**
March 31, 2014	29,164	(28,207)	957	20,779	(11,625)	9,154	**10,111**

7. DEBT INSTRUMENTS

	March 31, 2014 **$**	December 31, 2013 $
Short-term debt [(1)]	**25,000**	-
Convertible debenture [(2)]	**915,012**	-
Total debt	**940,012**	-

(1) On February 12, 2014, the Company signed a Loan Agreement with KCO. KCO agreed to advance a $25,000 loan to the Company, bearing an interest rate of 6% per annum, pending the completion of the transaction with the Company. The Company is required to pay back the loan with interest to KCO within 30 days of termination of the Share Exchange Agreement or under mutual agreement if the transaction is completed.

Due to the short-term nature of this loan, the Company has determined that its fair value approximates its carrying value.

(2) On March 10, 2014, the Company issued $1,015,000 in convertible debentures (the "Debentures"). The Debentures bear interest at 12% annually for the first year and 15% annually thereafter. The Debentures are convertible into common shares of KCO at a conversion price of $0.10 per share. If the transaction with KCO does not occur prior to November 30, 2014, the Debenture holders may elect to convert the Debentures into common shares of the Company at a conversion price such that the Company has a valuation of $3,600,000. The Debentures are secured by the assets of the Company.

7. DEBT INSTRUMENTS (continued)

The Company used the residual value method to allocate the principal amount of the debenture, less issuance costs, between the liability and the equity component. The fair value of the liability component at March 31, 2014 was $915,012 computed as the present value of future principal and interest payments discounted at a rate of 18.88%. The Company determined that there was an embedded derivative in the convertible debenture due to the possibility of the convertible debenture converting to shares of the Company rather than KCO. As at March 31, 2014, the derivative liability was valued at $89,224. As a result the residual amount allocated to equity was $nil.

8. SHARE CAPITAL

Authorized: Unlimited common shares, voting, with no par value.

Share-based payments

The Company has a stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to purchase common shares of the Company.

Summary of the Company's share purchase options:

	March 31, 2014		December 31, 2013	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance, beginning	5,180,000	0.20	4,460,000	0.20
Granted	-	-	2,030,000	0.20
Expired	(150,000)	0.20	(1,310,000)	0.20
Exercised	-	-	-	0.20
Outstanding - end of year	5,030,000	0.20	5,180,000	0.20

The following weighted average assumptions were used in calculating the fair value of stock options granted during the period using the Black-Scholes Option Pricing Model:

	March 31, 2014[(1)]	December 31, 2013
Risk-free interest rate	NA	1.33%
Expected life	NA	7.6 - 9 years
Expected volatility	NA	120%
Dividend rate	NA	0%
Average share price at date of grant	NA	$0.31

(1) No options were issued in the period ending March 31, 2014

8. SHARE CAPITAL (Continued)

During the period ended March 31, 2014, the Company recorded share-based payments expense of $247,797 (2013 - $26,408) upon the vesting of stock options. The fair value of each option is accounted for over the period of the options and the related credit is included in share-based payment reserve. Share-based payment reserve records items recognized as stock based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be reallocated to share capital.

The table below summarizes information on stock options:

As at March 31, 2014:

Outstanding options	Weighted average remaining contractual (months)	Weighted average exercise price	Exercisable Options
1,700,000	81	$0.20	1,700,000
50,000	45	0.20	37,500
500,000	105	0.20	500,000
350,000	93	0.20	350,000
50,000	57	0.20	50,000
500,000	93	0.20	150,000
50,000	81	0.20	-
600,000	81	0.20	-
180,000	81	0.20	45,000
200,000	93	0.20	-
350,000	105	0.20	350,000
500,000	117	0.20	500,000
5,030,000	91	$0.20	3,682,500
Weighted average exercise price			$0.20

As at December 31, 2013:

Outstanding options	Weighted average remaining contractual (months)	Weighted average exercise price	Exercisable Options
150,000	36	$0.20	150,000
1,700,000	84	0.20	1,700,000
50,000	48	0.20	37,500
500,000	108	0.20	500,000
350,000	96	0.20	350,000
50,000	60	0.20	50,000
500,000	96	0.20	100,000
50,000	84	0.20	-
600,000	84	0.20	-
180,000	84	0.20	45,000
200,000	96	0.20	-
350,000	108	0.20	-
500,000	120	0.20	-
5,180,000	92	0.20	2,932,500
Weighted average exercise price			$0.20

9. RELATED PARTY TRANSACTIONS

During the periods ended March 31 2014 and 2013, the Company was charged the following management fees by companies controlled by the CEO, CTO, and CFO of the Company:

	March 31, 2014 $	March 31, 2013 $
Management fee – CEO, Director	**39,000**	30,000
Management fee – CTO, Director	**30,000**	24,000
Management fee – CFO	**2,500**	-
Total	**71,500**	54,000

The management fees were allocated to cost of sales, general and administrative, and research and development expenses.

9. RELATED PARTY TRANSACTIONS (Continued)

On April 30, 2008, the Company entered into an agreement to provide development services to ActiveStream Technologies Inc. ("ActiveStream"), a company with a common director and shareholder. The Company entered into an unsecured loan agreement with ActiveStream that was repayable upon ActiveStream's successful receipt of Scientific Research and Engineering Development (SR&ED) Tax Credits. ActiveStream's claim for SR&ED tax credits was rejected by the Canada Revenue Agency and the loan was considered uncollectible by the Company. Accordingly, the balance of $330,335 was written off during the year ended December 31, 2013.

As at March 31, 2014, $25,435 (December 31, 2013 – $6,215) was due to ActiveStream and a company controlled by the CTO of the Company.

10. SEGMENTED INFORMATION

The Company operates in one reportable operating segment. The summarized financial information for the revenue derived by geographic segment is as follows:

	March 31, 2014	March 31, 2013
	$	$
Total revenues		
Canada	62,250	81,900
United States	16,750	181,078
	79,000	262,978

During the period ended March 31, 2014, a total of $52,500 related to revenue from three customers based in Canada and a total of $16,750 related to revenue from a single customer based in the USA (March 31, 2013 – $100,000 (single customer)). Revenue from each of these customers constituted more than 88% of total revenues.

11. CASH FLOWS

Net changes in working capital items:	**March 31, 2014**	March 31, 2013
	$	$
Accounts receivable	**(22,894)**	(88,688)
Prepaids and other assets	**(29,196)**	(3,013)
Accounts payable and other liabilities	**(73,974)**	66,098
Deferred revenue	**(13,655)**	(21,450)
Interest payable	**7,208**	-
	(132,511)	(47,053)

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	March 31, 2014 $	December 31, 2013 $
Bank overdraft	-	1,186
Accounts payable	**103,613**	155,226
Accrued liabilities	**27,454**	51,000
Government remittances	**15,564**	13,192
	146,631	220,604

13. OPERATING EXPENSES

The following table presents the Company's operating expenses by nature:

	For the period ended March 31, 2014 $	For the period ended March 31, 2013 $
Cost of sales		
Consulting fees	5,075	41,636
Wages & salaries	9,848	5,960
Hosting and other overhead	22,879	6,600
Advertising re-sold to customers	168	1,033
	37,970	55,229
General and administrative		
Consulting fees	40,600	15,000
Wages and salaries	-	10,172
Professional fees	22,958	2,988
Office and insurance	8,485	23,912
Supplies and other overhead	6,645	8,508
Penalties and interest	603	530
Bad debt	161	-
	79,452	61,110
Sales and marketing		
Consulting fees	46,946	44,216
Wages and salaries	9,776	-
Travel	10,761	12,020
Advertising and licenses	2,568	-
	70,051	56,236

13. OPERATING EXPENSES (continued)

	For the period ended March 31, 2014 $	For the period ended March 31, 2013 $
Research and development		
Salary and consulting	69,197	72,697

14. SUBSEQUENT EVENTS

a. On April 30, 2014, KCO agreed to lend up to an additional $200,000 at an interest rate of 12% compounded annually with interest payable on the maturity date. The loan will mature on the earlier of a Qualifying Transaction or November 30, 2014. On July 18, 2014, KCO advanced $153,998 of this loan. On August 26, 2014, KCO and the Company agreed to increase the principal of the loan to $300,000.

b. On June 1, 2014, the Company granted 550,000 stock options with and exercise price of $0.25 to consultants and employees of the Company, expiring December 31, 2020.

c. On August 29, 2014, the Company entered into a Debt Settlement Agreement (the "Agreement") with certain related parties. Pursuant to the Agreement, the Company will pay $70,194 within a 24 month period to settle all amounts owed to the related parties and forgive all amounts owed by the related parties and companies controlled by the related parties as at the date of the Agreement.