



Consolidated financial statements for the years ended May 31, 2016 and May 31, 2015  
(unaudited)

**Epcylon Technologies Inc.**  
**Consolidated Balance Sheets**  
(Unaudited)

	May 31, 2016	May 31, 2015
<b>CURRENT ASSETS:</b>		
Cash	\$ 2,730,825	\$ 2,626,664
Local tax receivable	9,473	44,649
Prepaid expense	-	5,722
<b>TOTAL CURRENT ASSETS</b>	<b>2,740,298</b>	<b>2,677,035</b>
Security deposit	8,971	9,421
Property and equipment, net (note 3)	23,015	32,214
<b>TOTAL ASSETS</b>	<b>\$ 2,772,284</b>	<b>\$ 2,718,670</b>
<b>LIABILITIES and STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 27,781	\$ 91,442
Convertible debentures (note 5)	375,010	-
Securities sold not yet purchased (note 4)	519,866	222,482
Notes payable (note 6 & 7)	294,462	1,033,271
<b>CURRENT LIABILITIES</b>	<b>1,217,119</b>	<b>1,347,195</b>
Deferred rent	5,523	5,107
<b>TOTAL LIABILITIES</b>	<b>1,222,642</b>	<b>1,352,302</b>
<b>STOCKHOLDER'S EQUITY:</b>		
Series A Preferred shares, par value \$0.0001		
10,000,000 shares authorized		
6,895,860 and 10,000,000 series A shares issued and outstanding as of May 31, 2016 and May 31, 2015 respectively (note 7)	690	1,000
Common stock, par value \$0.0001		
300,000,000 shares authorized		
173,665,076 issued and outstanding as of May 31, 2016 and 168,476,221 May 31, 2015 (note 8)	17,364	16,846
Additional paid-in capital	8,785,308	8,388,459
Accumulated other comprehensive loss	(39,969)	(57,726)
Accumulated deficit	(7,213,751)	(6,982,211)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,549,642</b>	<b>1,366,368</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 2,772,284</b>	<b>\$ 2,718,670</b>

**Epcylon Technologies Inc.**  
**Consolidated statements of comprehensive income**  
**(unaudited)**

	For the year Ended May 31, 2016	For the year Ended May 31, 2015
<b>REVENUE</b>	\$ 24,065	\$ 17,999
<b>EXPENSES</b>		
General and administrative expenses	718,418	744,688
<b>OPERATING LOSS</b>	(694,353)	(726,689)
<b>OTHER INCOME (EXPENSE)</b>		
Interest (expense) income, net	(14,963)	1,340
Realized gain on marketable securities	617,429	173,364
Unrealized loss on marketable securities	(133,431)	(13,231)
Gain (loss) of foreign exchange	(6,223)	2,066
	462,812	163,539
<b>NET LOSS BEFORE PROVISION FOR INCOME TAX</b>	(231,540)	(563,150)
Provision for income tax	-	-
<b>NET LOSS</b>	(231,540)	(563,150)
Foreign currency translation adjustment	17,757	(53,102)
<b>NET COMPREHENSIVE LOSS</b>	\$ (213,783)	\$ (616,252)
Net loss per common share	(\$0.00)	(\$0.00)
Basic and fully diluted weighted average common shares outstanding	170,668,002	168,476,221

**Epcylon Technologies Inc.**  
**Consolidated Cash flow statement**  
(unaudited)

	For the year Ended May 31, 2016	For the year Ended May 31, 2015
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$ (231,540)	\$ (563,150)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation	11,804	6,770
Shares issued for services	17,885	-
Imputed rent	-	6,000
Realized trading gains	(617,429)	(173,364)
Unrealized loss on marketable securities	133,431	13,231
<i>Changes in operating assets and liabilities:</i>		
Prepaid expenses	6,172	(3,142)
Local tax receivable	35,176	(41,408)
Accounts payable and accrued liabilities	(63,662)	31,939
Accrued interest on related party loans	-	37,146
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(708,163)</b>	<b>(685,978)</b>
<b>INVESTING ACTIVITIES:</b>		
Acquisition of property & equipment	(2,604)	(38,984)
Net purchases of securities	748,528	(20,685)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>745,924</b>	<b>(59,669)</b>
<b>FINANCING ACTIVITIES:</b>		
Redemption of Class A preferred stock	(620,829)	-
Proceeds from issuance of convertible debentures	375,010	-
Proceeds from related party loans	294,462	950,000
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>48,643</b>	<b>950,000</b>
Effect of exchange rates on cash	17,757	(53,102)
<b>INCREASE IN CASH</b>	<b>104,161</b>	<b>151,251</b>
<b>CASH - BEGINNING OF PERIOD</b>	<b>2,626,664</b>	<b>2,475,413</b>
<b>CASH - END OF PERIOD</b>	<b>\$ 2,730,825</b>	<b>\$ 2,626,664</b>

**Epcylon Technologies Inc**

**Consolidated Statement of Stockholders' equity (unaudited)**

**For the year ended May 31, 2016**

	Common Stock		Series A Preferred Stock		Accumulated	Accumulated	Other		Total
	Shares	Amount	Shares	Amount			Paid in capital	Deficit	
<b>BALANCE-May 31, 2015 and May 31, 2014</b>	168,476,221	\$ 16,846	10,000,000	\$ 1,000	\$ 8,388,459	\$(6,982,211)	\$	(57,726)	\$1,366,368
Redemption of preferred	-	-	(3,104,140)	(310)	(620,518)	-	-	-	(620,828)
Issue shares for services	178,855	18	-	-	17,867	-	-	-	17,885
Conversion of loan to preferred shares	0	0	5,000,000	500	999,500	-	-	-	1,000,000
Conversion from preferred to common	5,000,000	500	(5,000,000)	-500					-
						(231,540)		17,757	(213,783)
<b>BALANCE-May 31, 2016</b>	173,655,076	\$ 17,364	6,895,860	\$ 690	8,785,308	\$(7,213,751)	\$	(39,969)	\$1,549,642

## **EPCYLON TECHNOLOGIES, INC.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**May 31, 2016**

#### **NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION**

##### **Organization and Business Description**

Epcylon Technologies Inc., together with its wholly owned subsidiaries Mobilotto Systems Inc., (“MIBI”), Delite Americas Inc., and Omega Smartbuild Americas Inc., are engaged through its Stealth branded products, in the business of researching, developing and commercializing proprietary algorithmic securities trading systems. The Company uses its Stealth trading system to trade securities with some of its existing excess capital to test the system. Furthermore, the Company, through its MOBI branded products, develops proprietary geolocation technology and services for the lottery, pari-mutuel and casino industries enabling next-generation mobile gaming. On July 29, 2013, the Company changed its name from Mobile Integrated Systems Inc., to Epcylon Technologies Inc. The Company trades on the OTC PINK under the symbol PRFC.

Since inception the Company has been engaged in developing its business model and software platforms. The Company has not earned any material revenue from operations.

##### **Basis of Consolidation**

These consolidated financial statements include the accounts of Epcylon Technologies Inc., which was incorporated on April 22, 2009 in the state of Nevada and its wholly-owned subsidiaries, Mobilotto Systems, Inc., which was incorporated in Ontario, Canada on September 16, 2008, Delite Americas Inc (inactive), which was incorporated in Ontario, Canada on July 8, 2013 and Omega Smartbuild Americas Inc. (inactive), which was incorporated in Ontario, Canada on July 8, 2013.

#### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

##### **Cash and Cash Equivalents**

The Company considers all highly liquid instruments with an original maturity or remaining maturity at the date of purchase of three months or less to be cash equivalents.

##### **Trading Securities**

Trading securities are recorded at fair value on a recurring basis and consist primarily of investments in corporate stocks. Realized trading gains and losses and unrealized gains and losses (fair value adjustments) are reported in statement of operations.

##### **Property and Equipment**

Property and Equipment are stated at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the expected useful life as follows:

Computer equipment and software	3 years
Office furniture and equipment	5 years
Leasehold improvements	Term of the lease

Repairs and maintenance expenditures are charged to operating expense as incurred. Replacements and major renewals are capitalized.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

### **Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of the asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset, or group of assets, is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and the fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

### **Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Revenue Recognition**

Revenue is recognized when it is realized or realizable and earned. Revenue is realized or realizable when there is persuasive evidence of an arrangement, prices are fixed or determinable, services or products are provided to the customer, and collectability is probable and reasonably assured depending upon the applicable revenue recognition guidance followed. The following are specific revenue recognition policies.

Revenue from the stealth software is recognized when subscription funds are received.

### **Accounts Receivable and Allowance for Doubtful Accounts**

We have a policy of reserving for uncollectible accounts based on our best estimate of the amount of probable credit losses in our existing accounts receivable. We extend credit to our customers based on an evaluation of their financial condition and other factors. We generally do not require collateral or other security to support accounts receivable. We perform ongoing credit evaluations of our customers and maintain an allowance for potential bad debts if required. We determine whether an allowance for doubtful accounts is required by evaluating specific accounts where information indicates the customers may have an inability to meet financial obligations. In these cases, we use assumptions and judgment, based on the best available facts and circumstances, to record a specific allowance for those customers against amounts due to reduce the receivable to the amount expected to be collected. These specific allowances are re-evaluated and adjusted as additional information is received. The amounts calculated are analyzed to determine the total amount of the allowance. We may also record a general allowance as necessary. Direct write-offs are taken in the period when we have exhausted our efforts to collect overdue and unpaid receivables or otherwise evaluate other circumstances that indicate that we should abandon such efforts.

As of May 31, 2016 and 2015, there was no allowance required.

### **Foreign Currency Translation**

The Company's functional and reporting currency is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Revenue and expenses accounts are translated at average exchange rates during the period. Historical cost balances are re-measured using historical exchange rates. Gains and losses arising on settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in Canadian dollars. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

### **Income Taxes**

We use the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, “Income Taxes.” Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity’s financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized.

ASC Topic 740.10.30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740.10.40 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have no material uncertain tax positions for any of the reporting periods presented.

### **Fair Value of Financial Instruments**

The Company adopted the provisions of ASC Topic 820, “Fair Value Measurements and Disclosures”, which defines fair value as used in numerous accounting pronouncements, establishes a framework for measuring fair value and expands disclosure of fair value measurements.

The estimated fair value of certain financial instruments, including cash, prepaid rent, receivables, accrued liabilities, and notes payable are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 — quoted prices in active markets for identical assets or liabilities

Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 — inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

### **Stock-Based Compensation**

We recognize compensation expense for stock-based compensation in accordance with ASC Topic 718. For employee stock-based awards, we calculate the fair value of the award on the date of grant using the Black-Scholes method for stock options and the quoted price of our common stock for unrestricted shares; the expense is recognized over the service period for awards expected to vest. For non-employee stock-based awards, we calculate the fair value of the award on the date of grant in the same manner as employee awards. However, the awards are revalued at the end of each reporting period and the pro rata compensation expense is adjusted accordingly until such time the nonemployee award is fully vested, at which time the total compensation recognized to date equals the fair value of the stock-based award as calculated on the measurement date, which is the date at which the award recipient’s performance is complete. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised. We consider many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience.



## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

### **Convertible Instruments**

We evaluate and account for conversion options embedded in convertible instruments in accordance with ASC 815 “Derivatives and Hedging Activities”. Applicable GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under other GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

We account for convertible instruments (when we have determined that the embedded conversion options should not be bifurcated from their host instruments) as follows: We record when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption. We also record when necessary, deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the preferred shares.

### **Preferred Stock**

We apply the guidance enumerated in ASC 480 “Distinguishing Liabilities from Equity” when determining the classification and measurement of preferred stock. Preferred shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value. We classify conditionally redeemable preferred shares (if any), which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within our control, as temporary equity. At all other times, we classified our preferred shares in stockholders’ equity.

### **Rental expense**

Rental expense is accounted for on the straight-line method. Deferred rent payable as of May 31, 2016 represents the excess of rent recognized in the financial statements over scheduled lease payments.

### **Recent Accounting Pronouncements**

Accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company’s consolidated financial statements upon adoption.

### **Concentration of Credit Risk**

Financial instruments that potentially expose us to concentrations of credit risk consist principally of cash and cash equivalents. We maintain our cash accounts at high quality financial institutions with balances, at times, in excess of federally insured limits. Management believes that the financial institutions that hold our deposits are financially sound and therefore pose minimal credit risk.

### **Research and development**

Research and development expenditures are charged to operations as incurred.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

### Preferred Stock

We apply the guidance enumerated in ASC 480 “Distinguishing Liabilities from Equity” when determining the classification and measurement of preferred stock. Preferred shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value. We classify conditionally redeemable preferred shares (if any), which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within our control, as temporary equity. At all other times, we classified our preferred shares in stockholders’ equity

### Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board or other standard setting bodies that may have an impact on the Company’s accounting and reporting. The Company believes that such recently issued accounting pronouncements and other authoritative guidance for which the effective date is in the future either will not have an impact on its accounting or reporting or that such impact will not be material to its financial position, results of operations, and cash flows when implemented.

## NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Cost	Accumulated Depreciation	November 30, 2015 Net	May 31, 2015
Leasehold improvements	\$ 16,010	\$ 4,805	\$ 11,205	\$ 14,410
Computer equipment	28,184	16,374	11,810	17,806
Total	\$ 44,194	\$ 21,179	\$ 23,015	\$ 32,214

## NOTE 4 – SECURITIES SOLD NOT YET PURCHASED

Marketable securities owned and on margin consisting of equity securities owned by the Company. As at May 31, 2016 securities at market value were as follows:

	<u>Fair value</u>
Options sold short	\$519,866

The securities are reported at fair value using level 1 input based on the quoted market price of the securities at each reporting period.

## NOTE 5 – CONVERTIBLE DEBENTURES

On December 11, 2015, the Company closed \$225,000 of a private placement offering of 8% secured convertible debentures.

On March 1, 2016, the Company closed \$150,010 of a private placement offering of 8% secured convertible debentures.

## NOTE 6 – NOTES PAYABLE

	May 31, 2016	May 31, 2015
Note payable due to the former Chief Executive Officer, 0% interest, unsecured.	\$ 50,000	\$ -
Note payable due to a director of the Company, 4% interest, unsecured.	29,733	-
Note payable due to a director of the Company, 0% interest, unsecured.	50,000	-
Note payable due to a shareholder, interest payable at 4% per annum, due January 2, 2017, unsecured.	39,952	-
Note payable due to a shareholder, interest payable at 4% per annum, due January 2, 2017, unsecured.	33,527	-
Note payable, interest payable at 4% per annum, due April 9, 2017, unsecured.	91,250	-
Note payable due the former Chief Executive Officer with interest payable at 5% per annum, due June 21, 2015, unsecured. On Maturity, the loan, and accrued interest, automatically converted to Series B Preferred shares at a price of \$0.20 per share.	-	50,000
Note payable due to the former Chief Executive Officer with interest payable at 5% per annum, due August 24, 2015, unsecured. On Maturity, the loan, and accrued interest, automatically converted to Series B Preferred shares at a price of \$0.20 per share.	-	950,000
Accrued interest on notes payable	3,476	33,271
	<u>\$ 297,938</u>	<u>\$ 1,033,271</u>

## NOTE 7 – STOCKHOLDERS' EQUITY

### Series A Preferred Stock

During the period June 1, 2015 through May 31, 2016, 3,104,140 of Series A Preferred Stock was redeemed at \$0.20 per share for proceeds of \$620,828.

### Series B Preferred Stock

On September 17, 2014 the Company filed a Certificate of Designation of Series B Convertible Preferred Stock. Each share of Series B Convertible Preferred Stock carries a par value of \$0.001 and is convertible into common stock on a 1 preferred share for 1 common share basis. Preferred shares are entitled to a dividend at the discretion of the Board of Directors. The Corporation may, by providing a five day notice, redeem such Series B Preferred Stock at a redemption price of \$0.20. Each holder of Series B Preferred Stock shall at their option convert the shares of Series B Preferred Stock into shares of common stock on a one preferred share for one common share basis.

On June 21, 2015, a \$50,000 note payable matured, and as per the provisions of the loan, the principal and interest automatically converted to 250,000 Series B Preferred Stock at a price of \$0.20 per share.

On August 21, 2015 a \$950,000 note payable matured, and as per the provisions of the loan, the principal and partial interest automatically converted to 4,750,000 Series B Preferred Stock at a price of \$0.20 per share.

On December 23, 2016, all 5,000,000 Series B Preferred Stock were cancelled and converted to 5,000,000 common stock

**NOTE 8 – COMMITMENTS**

The Company is obligated under a lease agreement through May, 2018 which provides for annual rentals, on a straight-line basis, of approximately \$34,000. In addition, the Company will pay, as additional rent, its proportionate share of real estate taxes and certain operating expenses.

**NOTE 9 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through the date the financial statements have