

# Academy Explorations Limited

**Audited Financial Statements**  
For the year ended April 30, 2011

# AUDITORS' REPORT

To the Shareholders of:

## **Academy Explorations Limited**

We have audited the statements of financial position of **Academy Explorations Limited** as at April 30, 2011 and 2010, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation, as at April 30, 2011 and 2010, and the results of its operations, changes in equity and cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**John Scholz CA**



**July 20, 2011**  
**Toronto, Ontario**

**Chartered Accountant**  
**Licensed Public Accountant**

# Academy Explorations Limited

**Audited**

## Condensed Statement of Financial Position

	<u>April 30 2011</u>	<u>April 30 2010</u>	<u>May 1 2009</u>
<b>Assets</b>			
Current			
Cash and short-term investments (Notes 2 and 4)	\$ 490,274	\$ 519,704	\$ 565,848
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	\$ 7,482	\$ 7,898	\$ 8,190
<b>Capital Deficiency</b>			
Capital stock (Note 5)	1,165,711	1,165,711	1,165,711
Retained earnings (Deficit)	<u>(682,919)</u>	<u>(653,905)</u>	<u>(608,053)</u>
	<u>482,792</u>	<u>511,806</u>	<u>557,658</u>
	<u>\$ 490,274</u>	<u>\$ 519,704</u>	<u>\$ 565,848</u>

**APPROVED ON BEHALF OF THE BOARD**

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Rae Appleby, Director

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Paul Appleby, Director

# Academy Explorations Limited

Audited

Condensed Statements of Comprehensive Loss  
For the years ended April 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Results from operating activities:</b>		
Revenue	\$ -	\$ -
Managing directors salary	24,512	24,743
Directors fees	1,500	1,500
Legal and audit	2,542	2,310
Shareholders' information and transfer agents' fees	12,690	16,740
Miscellaneous	760	559
	<u>42,004</u>	<u>45,852</u>
<b>Finance income and costs:</b>		
Interest income	12,990	-
<b>Net income (loss)</b>	(29,014)	(45,852)
<b>Other comprehensive income (loss)</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income (loss)</b>	<u>\$ (29,014)</u>	<u>\$ (45,852)</u>
Net income (loss) per share - basic and diluted	<u>\$ (0.0185)</u>	<u>\$ (0.0293)</u>
Weighted average number of shares outstanding	<u>1,567,234</u>	<u>1,567,234</u>

# Academy Explorations Limited

**Audited**

## Condensed Statement of Changes in Equity

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Equity
Balance at May 1, 2009	\$ 1,165,711	\$ -	\$ (608,053)	\$ -	\$ 557,658
<b>Total comprehensive income income (loss) for the period</b>					
Loss for the period			(45,852)		(45,852)
Balance at April 30, 2010	<u>1,165,711</u>	<u>-</u>	<u>(653,905)</u>	<u>-</u>	<u>511,806</u>
Balance at April 30, 2010	1,165,711	-	(653,905)	-	511,806
<b>Total comprehensive income income (loss) for the period</b>					
Loss for the period			(29,014)		(29,014)
Balance at April 30, 2011	<u>\$ 1,165,711</u>	<u>\$ -</u>	<u>\$ (682,919)</u>	<u>\$ -</u>	<u>\$ 482,792</u>

# Academy Explorations Limited

Audited

Condensed Statements of Cash Flows  
For the years ended April 30, 2011 and 2010

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	<u>2011</u>	<u>2010</u>
<b>Cash provided by (used in) operating activities:</b>		
Net income (loss)	\$ (29,014)	\$ (45,852)
Net change in non-cash working capital	<u>(416)</u>	<u>(292)</u>
	<u>(29,430)</u>	<u>(46,144)</u>
<b>Net change in cash</b>	(29,430)	(46,144)
<b>Cash balance, beginning of period</b>	<u>519,704</u>	<u>565,848</u>
<b>Cash balance, end of period</b>	<u>\$ 490,274</u>	<u>\$ 519,704</u>

# Academy Explorations Limited

Notes to Audited Financial Statements

As at and for the year ended April 30, 2011

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## 1. GENERAL

### **Statement of Compliance:**

These condensed financial statements are prepared in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). These are the Company's first International Financial Reporting Standards (IFRS) condensed financial statements and IFRS 1, First Time Adoption of IFRS has been applied, as they are part of the period covered by the Company's first IFRS financial statements for the year ending April 30, 2011.

The Company's condensed financial statements were prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) until April 30, 2010. Canadian GAAP differs from IFRS in some areas and accordingly, the significant accounting policies applied in the preparation of these condensed financial statements are set out below and have been consistently applied to all periods presented except in instances where IFRS 1 either requires or permits an exemption. An explanation of how the transition from Canadian GAAP to IFRS has affected the reported consolidated statements of income, comprehensive income, financial position, and cash flows of the Company is provided in note 8. This note includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, reconciliations of equity, net income and comprehensive income for comparative periods and equity at the date of transition, May 1, 2010.

### **Information on first-time adoption of IFRS**

The Company has prepared its IFRS opening statement of financial position as at May 1, 2009, the date of transition to IFRS. As at the date of transition, the Company did not hold material assets and did not carry on operations other than those related to management and administration. Accordingly after taking into account the mandatory exemptions and elections available under IFRS 1, "First-time adoption of International Financial Reporting Standards", there were no adjustments from GAAP required in the process of preparing IFRS opening balances (other than account reclassifications disclosed in respective notes).

### **Significant accounting judgments, and estimates**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions and to use judgment that affects the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, actual results may differ from those estimated amounts and differences may be material.

In particular, significant areas of estimation uncertainty considered by management in preparing the financial statements are described in the following notes:

- Stock-based compensation
- Warrants
- Deferred income tax
- Commitments and contractual obligations

### **Going Concern:**

The ability of the Company to continue as a going concern and realize the carrying value of its assets is dependent upon its ability to achieve sales levels adequate to supporting the Company's cost structure and success of its investments. It is not possible at this time to predict with assurance the outcome of these investments.

# Academy Explorations Limited

Notes to Audited Financial Statements

As at and for the year ended April 30, 2011

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## 2. Significant accounting policies

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on account and demand deposits.

### **Foreign Currency Translation**

The Company translates its foreign denominated monetary assets and liabilities at the exchange rate prevailing at year-end. Non-monetary assets and liabilities are translated at historic rates. Revenues and expenses are translated at the rate of exchange in effect at the time of the transaction. Exchange gains or losses are included in operations.

### **Loss Per Share**

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options using the treasury stock method.

### **Measurement Uncertainty**

The preparation of financial statements 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 revenue and expenses during the year. Actual results would differ from those estimates.

### **Stock Based Compensation**

The Company accounts for its stock option plan using the fair value method. The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model and expensed over the service period which equals the vesting period. The stock option expense for the year ended April 30, 2011 was \$NIL (2010 -\$NIL).

### **Future Income Taxes**

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, future income taxes are recognized for temporary differences between the tax and financial statement bases of assets and liabilities and for certain carry forward items. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

### **Investments**

Investments are stated at cost less any provision for any other than temporary decline in market value.



# Academy Explorations Limited

Notes to Audited Financial Statements

As at and for the year ended April 30, 2011

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## 3. CHANGES IN ACCOUNTING POLICY

### (a) Financial Instruments

Effective January 1, 2006, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; and Section 3865, Hedges, retroactively without restatement. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no impact on opening deficit.

Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and debenture, are classified as other financial liabilities. The Company had neither available-for-sale, nor held-to-maturity instruments during the year ended April 30, 2011.

The Company had no "other comprehensive income or loss" transactions during the year ended April 30, 2011 and no opening or closing balances for accumulated other comprehensive income or loss.

The Company reviewed significant contracts entered into on or after January 1, 2003 and determined that there were no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the balance sheet.

### (b) Non-monetary Transactions

Effective January 1, 2006, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3831, Non-monetary Transactions prospectively. This standard requires all non-monetary transaction be measured at their fair value unless they meet one of the four criteria. Commercial substance replaces culmination of the earnings process as the test for fair value measurement. A transaction has commercial substance if it causes an identifiable and measurable change in the economic circumstances of the entity. The adoption of this standard had no impact on the Company's financial statements.

# Academy Explorations Limited

## Notes to Audited Financial Statements

### As at and for the year ended April 30, 2011

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#### 4. INVESTMENTS

The Company holds various short-term investments along with a cash balance in its brokerage account. As at April 30, 2011, the balances are as follows:

	Book Value	Market Value
Cash	\$ 65,190	\$ 65,190
Sprott Small Cap Hedge Fund	199,991	303,356
Turtle Creek Investment Fund Class B Series 1	<u>225,093</u>	<u>278,028</u>
	<u>\$ 490,274</u>	<u>\$ 646,574</u>

#### 5. CAPITAL STOCK

The Company is authorized to issue an unlimited number of special shares and an unlimited number of common shares. Common shares issued and fully paid are as follows:

	Number of shares	Amount
Issued common shares for cash	867,234	\$ 790,711
Issued common shares for mining claims	<u>700,000</u>	<u>375,000</u>
<b>Balance as at April 30, 2011</b>	<u>1,567,234</u>	<u>\$ 1,165,711</u>

#### Stock options:

As at April 30, 2011 the Company had no issued or outstanding stock options.

#### 6. INCOME TAXES

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income uncertainties related to the industry in which the Company operates and tax planning strategies in making this assessment. The income tax benefit in the statements of operations and comprehensive income differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of 36% for the years ended April 30, 2011 and 2010 to loss for the year.

	<u>2010</u>	<u>2009</u>
Income tax recovery based on statutory rate	\$ (123,260)	\$ (112,815)
Unrecorded tax benefit of losses	<u>123,260</u>	<u>112,815</u>
	<u>\$ -</u>	<u>\$ -</u>

# Academy Explorations Limited

Notes to Audited Financial Statements

As at and for the year ended April 30, 2011

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## 7. INCOME TAXES ... continued

At April 30, 2011, the Company has approximately \$313,374 of non-capital losses available for carry-forward to reduce future years' income for Canadian income tax purposes. The losses have not been recorded and will expire as follows:

2012	\$ 28,772
2013	43,168
2014	39,616
2015	34,084
2016	42,857
2017	45,852
2018	<u>29,014</u>
	<u>\$263,363</u>

## 8. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

These audited condensed financial statements represent an initial presentation of the company's financial position and results of operations under IFRS as at and for the year ended April 30, 2011. As discussed in Note 1, these audited financial statements have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with IAS 34. Previously, the Company prepared its interim and annual financial statements in accordance with GAAP applicable for Canada. IFRS 1 requires the presentation of comparative information as at May 1, 2009 under IFRS and reconciliation between IFRS and the previous GAAP results. Due to the Company's:

- limited operations in 2011 and 2010;
- lack of assets as at May 1, 2009 and April 30, 2010; and

The implementation of IFRS did not trigger any adjustments to the Company's financial position and results of operations.