Starrex Mining Corporation Limited

Financial Statements

December 31, 2011 and 2010

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Independent Auditors' Report

To the Shareholders of
Starrex Mining Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Starrex Mining Corporation Limited, which comprise the statement of financial position as at December 31, 2011 and December 31, 2010, and January 1, 2010, and the statements of comprehensive income, changes in equity, and cash flows of for the years ended December 31, 2011 and December 31, 2010, 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 ("IFRS"), 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

701 Evans Avenue, 8th Floor, Toronto ON M9C 1A3, Canada T (416) 626-6000 F (416) 626-8650 MSCM.CA

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Starrex Mining Corporation Limited as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010, in accordance with International Financial Reporting Standards.

Signed: ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 26, 2012

Statements of Financial Position

		December 31, 2011		December 31, 2010		January 1, 2010
Assets						
Current assets						
Cash and cash equivalents	**$**	**824,474**	$	899,680	$	966,346
Other receivables		**7,401**		3,241		3,183
		831,875		902,921		969,529
Equipment *(note 4)*		**98**		122		152
	$	**831,973**	$	903,043	$	969,681
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities *(note 5)*	**$**	**31,006**	$	31,004	$	27,944
Loan payable to related party *(note 5)*		**234,826**		234,826		234,826
		265,832		265,830		262,770
Equity						
Share capital *(note 6)*		**1,203,723**		1,203,723		1,203,723
Contributed surplus reserve		**15,524**		15,524		13,997
Deficit		**(653,106)**		(582,034)		(510,809)
		566,141		637,213		706,911
	$	**831,973**	$	903,043	$	969,681

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

Approved by the Board

Signed: ***"S. Donald Moore"***

Director

Signed: ***"John A. Murphy"***

Director

Statements of Comprehensive Loss
for the years ended December 31, 2011 and 2010

		2011		2010
Income				
Investment income	$	**6,710**	$	4,559
Expenses				
Management and corporate services *(note 5)*		**31,000**		31,500
Professional		**22,335**		18,500
Government, regulatory, and filing fees		**18,965**		18,169
Shareholder communication		**4,183**		4,965
General		**1,275**		1,093
Share-based payments *(note 7)*		**-**		1,527
Depreciation		**24**		30
		77,782		75,784
Net comprehensive loss for the year	**$**	**(71,072)**	$	(71,225)
Basic and diluted loss per common share *(note 9)*	**$**	**(0.02)**	$	(0.02)

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

Statements of Changes in Equity
for the years ended December 31, 2011 and 2010

	Share Capital								
	Number of Shares		Amount		Contributed Surplus		Deficit		Total
Balance, January 1, 2010	**3,429,566**	**$**	**1,203,723**	**$**	**13,997**	**$**	**(510,809)**	**$**	**706,911**
Share based compensation	-		-		1,527		-		1,527
Net comprehensive loss for the year	-		-		-		(71,225)		(71,225)
Balance, December 31, 2010	**3,429,566**		**1,203,723**		**15,524**		**(582,034)**		**637,213**
Net comprehensive loss for the year	-		-		-		(71,072)		(71,072)
Balance, December 31, 2011	**3,429,566**	**$**	**1,203,723**	**$**	**15,524**	**$**	**(653,106)**	**$**	**566,141**

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

Statements of Cash Flows
for the years ended December 31, 2011 and 2010

		2011		2010
Cash flow from operating activities				
Net loss for the year	**$**	**(71,072)**	$	(71,225)
Items not affecting cash				
Depreciation		**24**		30
Stock-based compensation		**-**		1,527
		(71,048)		(69,668)
Other sources (uses) of cash from operations:				
Other receivables		**(4,160)**		(59)
Accounts payable and accrued liabilities		**2**		3,061
Decrease in cash		**(75,206)**		(66,666)
Cash and cash equivalents, beginning of year		**899,680**		966,346
Cash and cash equivalents, end of year	**$**	**824,474**	$	899,680

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

1. Business of the Company

Nature of Business

Starrex Mining Corporation Limited ("the Company") was incorporated on October 2, 1982 pursuant to the Canada Business Corporation Act under the name Starrex Mining Corporation. The Company's address is 3080 Yonge Street, Suite 5004, Box 60, Toronto, Ontario M4N 3N1. It is a Canadian company focusing on the review and evaluation of diverse business proposals in the resource and industrial sectors. The Company has been inactive for several years.

These financial statements were approved by the Board of Directors on April 26, 2012.

2. Basis of Presentation and Statement of Compliance

(a) Statement of Compliance and Conversion to International Financial Reporting Standards

These are the Company's first annual financial statements prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies have been selected to be consistent with IFRS. IFRS 1 First Time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied. Previously, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They have also been applied in preparing an opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1. The impact of the transition from Canadian GAAP to IFRS is explained in Note 12.

(b) Basis of Presentation

These financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Significant Accounting Estimates and Judgments

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the financial reporting date and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences and relate to, but are not limited to the recognition of deferred tax assets. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods. Significant estimates and judgments include recognition and valuation of deferred income tax amounts.

2. Basis of Presentation and Statement of Compliance - continued

(d) Functional Currency

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

3. Significant Accounting Policies

(a) Financial Instruments

The Company's classifies its financial assets and financial liabilities into one of the following categories, depending on the purpose for which the instrument was acquired.

Fair value through profit or loss - This category comprises derivatives, assets or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in comprehensive loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Other financial liabilities - This category includes amounts due to related parties and accounts payables and accrued liabilities. These instruments are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

3. Significant Accounting Policies - continued

(a) Financial Instruments - continued

The effective interest method - The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

The Company's accounting policy for each category is as follows:

Financial Assets	**Classification**
Cash and cash equivalents	Loans and receivables
Other receivables	Loans and receivables

Financial Liabilities	**Classification**
Accounts payable and accrued liabilities	Other financial liabilities
Loan payable to related party	Other financial liabilities

(b) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(c) Equipment

Equipment is recorded at cost. Depreciation is provided over its expected useful life using the following methods and annual rates:

Office furniture	20% declining balance

3. Significant Accounting Policies - continued

(d) Income taxes

Income taxes on the profit or loss for the periods presented comprises current and deferred tax.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods. Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

(e) Stock-based compensation

The Company has in effect a stock option plan ("the Plan") which is described in note 7. The Plan allows Company employees, directors and officers to acquire shares of the Company for a specified option amount set on the date of grant. Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes model and is recorded as stock-based compensation expense over the vesting period of the options. Consideration paid on the exercise of stock options is credited to share capital. The contributed surplus associated with the options is transferred to share capital upon exercise.

(f) Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents include highly liquid Canadian bank guaranteed funds that are valued at cost plus accrued interest. The carrying amounts approximate the fair market value as they have maturities at the date of purchase of less than 90 days.

(g) Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

3. Significant Accounting Policies - continued

(h) Future changes in accounting standards that may affect the Company and have not yet been adopted

IFRS 7 - Financial Instruments: Disclosures

The Accounting Standards Board ("AcSB") approved the incorporation of the IASB's amendments to IFRS 7 Financial Instruments: Disclosures and the related amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards into Part I of the Handbook. These amendments were made to Part I in January 2011 and are effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted. The amendments relate to required disclosures for transfers of financial assets to help users of the financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The Company has not fully assessed the impact of adopting IFRS 7; however, it anticipates that the impact will be limited.

IFRS 9 - Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is assessing the impact of IFRS 9 on its results of operations and financial position.

IFRS 13 – Fair Value Measurement

IFRS 13, Fair Value Measurement ("IFRS 13") was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its results of operations and financial position.

IAS 1 – Presentation of Financial Statements

IAS 1, Presentation of Financial Statements ("IAS 1") amendment, issued by the IASB in June 2011, requires an entity to group items presented in the Statement of Comprehensive Loss on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company is assessing the impact of IAS 1 on its results of operations and financial position.

4. Equipment

		Office Furniture and Equipment
Cost:		
Balance, December 31, 2011 and 2010 and January 1, 2010	**$**	**13,124**
Accumulated Depreciation:		
Balance, January 1, 2010	$	(12,972)
Depreciation		(30)
Balance, December 31, 2010		(13,002)
Depreciation		(24)
Balance, December 31, 2011	**$**	**(13,026)**
Net book value at January 1, 2010	**$**	**152**
Net book value at December 31, 2010	**$**	**122**
Net book value at December 31, 2011	**$**	**98**

5. Related Party Transactions

The Company had the following transactions with officers and directors of the Company and private companies controlled by officers and directors of the Company for management consulting and other services required by the Company:

i) The Company incurred expenses of $15,000 in 2011 (2010 - $15,000) with Secorp Limited ("Secorp"), a corporation controlled by a director and officer of the Company, for accounting, administrative and secretarial services rendered. These expenses are included in management and corporate services. At December 31, 2011, the amount of $15,000 (2010 - $15,000) was payable to Secorp. The amount due is unsecured, non-interest bearing and is due on demand.

ii) The Company paid $15,000 in management fees in 2011 (2010 - $15,000) to the President for services provided to the Company. These are included in management and corporate services. At December 31, 2011 and 2010, no amount was payable to the President.

iii) Included in loan payable to related party are advances of $234,826 (December 31, 2010 - $234,826; January 1, 2010 - $234,826) from Talent Oil and Gas Limited, a corporation controlled by a director and officer of the Company. These advances are unsecured, non-interest bearing and are due on demand.

6. Share Capital

Authorized

The Company is authorized to issue an unlimited number of common shares

Activity

There was no change in the number of issued and outstanding common shares for the years ended December 31, 2011 and 2010.

7. Share-Based Payments

The Company has a stock option plan (the "Plan") that enables its directors, officers, employees, consultants, and advisors to acquire common shares of the Company. Options are granted at the discretion of the Board of Directors. Under the terms of the plan, options totaling up to 10% of the common shares outstanding from time to time are issuable. The vesting period and expiration period are fixed at the time of grant at the discretion of the Board of Directors.

In the current and prior year, no new stock options were issued.

In October 2007, the Company issued 80,000 stock options under the Plan to its directors with an exercise price of $0.50 per share. The options have a term of five years and vest over 3 years starting on the first anniversary date of the grant. At December 2011, 80,000 (2010 - 80,000) options were exercisable.

For the year ended December 31, 2011, stock-based compensation expense of $Nil (2010 - $1,527) was recorded with a corresponding increase to contributed surplus. At December 31, 2011, the weighted average remaining contractual life and weighted-average exercise price of the 80,000 options outstanding and exercisable are 0.78 years and $0.50 respectively.

8. Income Taxes

(a) *Income tax provision (recovery)*

The following table reconciles the expected income tax (provision) recovery at the Canadian Federal and Provincial statutory rate of 28.5% (2010 - 30%) to the amount recognized in the statement of comprehensive loss:

		2011		2010
Loss before income taxes	**$**	**(71,072)**	$	(71,225)
Expected income tax (recovery)	**$**	**(20,250)**	$	(21,300)
Adjustments resulting from:				
Permanent differences		**-**		400
Tax rate changes and other adjustments		**1,050**		13,600
Deductible temporary differences not recognized		**19,200**		7,300
Provision for income taxes - deferred	**$**	**-**	$	-

8. Income Taxes - continued

(b) Unrecognized deferred tax assets

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following items:

	December 31, 2011	December 31, 2010
Capital losses	**$ 2,170,500**	$ 2,170,500
Non-capital losses	**416,200**	345,000
Equipment and other	**200**	200
	$ 2,586,900	$ 2,515,700

The deductible temporary differences do not expire under current tax legislation except for non-capital losses as disclosed in part (b). Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The non-capital losses expire as per the years and amounts outlined below:

2011	$ 47,200
2015	53,600
2026	47,000
2027	48,100
2029	79,600
2030	69,700
2031	71,000
	$ 416,200

9. Net Loss Per Share

Basic and diluted loss per share has been calculated based on the weighted average number of common shares outstanding during 2011 of 3,429,566 (2010 - 3,429,566). Due to the net loss for the years ended December 31, 2011 and 2010, the stock options were excluded from the calculation of the weighted average number of diluted common shares outstanding because their effect would have been anti-dilutive.

10. Capital Disclosures

The Company's objectives when managing capital are to maintain its ability to continue as a going concern in order to provide return for shareholders and to ensure sufficient resources are available to meet day to day operating requirements.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it, in order to have funds available to support its corporate activities.

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

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the year.

11. Financial Risk Factors

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. As at December 31, 2011, the Company had a cash and cash equivalents balance of $824,474 to settle current financial liabilities of $265,832.

Market Risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash and cash equivalents is relatively unaffected by changes in short-term interest rates.

12. Conversion to IFRS

Overview

These are the Company's first annual financial statements prepared in accordance with IAS 1, using accounting policies consistent with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2011 and the comparative information presented in these financial statements for the year ended December 31, 2010. January 1, 2010 is the Company's date of transition.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's "Transition Date":

- To apply IFRS 2 Share Based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IAS 16 Property Plant and Equipment on a prospective basis. The Company will use an IFRS 1 exemption in order to report the opening statement of financial position at transition date at its deemed cost value which is equal to the previously established historical cost less accumulated amortization as reported under previous GAAP.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

Changes to accounting policies

In preparing its IFRS statements of financial position and statements of comprehensive loss, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and determination of net loss is set out in the following tables and accompanying notes. The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS:

(a) Impairment of (non-financial) assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the financial statements.

12. Conversion to IFRS - continued

Changes to accounting policies - continued

(b) Share based payments

The Company applied IFRS 2, Share Based Payments, to its share based payment arrangements at January 1, 2010, and adjusted the values it previously calculated under Canadian GAAP for its unvested awards.

Canadian GAAP allowed entities the option of recognizing equity instruments vesting in installments as a single pool with a fair value based on the average life of the instruments; however, IFRS requires accounting for each installment as a separate arrangement with its own distinct fair value measurement, recognizing compensation cost for each tranche over its own distinct vesting period. The effects of this transitional adjustment are:

1) An increase in contributed surplus reserve of $2,368 as at January 1, 2010 and an increase in deficit of $2,368 as at January 1, 2010.
2) A decrease in contributed surplus reserve of $158 as at December 31, 2010 and a decrease in deficit of $158 as at December 31, 2010, resulting from a decrease in stock based compensation expense of $2,526 for the year ended December 31, 2010 in addition to the transition adjustment at January 1, 2010 as described in 1) above.

Presentation

Certain amounts in the statements of financial position, statements of comprehensive loss and statements of cash flows have been reclassified to conform to the presentation adopted under IFRS, which are as follows:

The presentation of expenses in the statements of comprehensive loss has been amended to use an analysis based consistently on their function.

12. Conversion to IFRS - continued

The Canadian GAAP statements of financial position have been reconciled to IFRS as follows:

	Canadian GAAP	Transition to IFRS	IFRS	Canadian GAAP	Transition to IFRS	IFRS
	January 1, 2010			**December 31, 2010**		
Assets						
Cash and cash equivalents	$ 966,346	$ -	$ 966,346	$ 899,680	$ -	$ 899,680
Other receivables	3,183	-	3,183	3,241	-	3,241
	969,529	-	969,529	902,921	-	902,921
Equipment	152	-	152	122	-	122
	$ 969,681	**$ -**	**$ 969,681**	**$ 903,043**	**$ -**	**$ 903,043**
Liabilities						
Accounts payable and accrued liabilities	$ 27,944	$ -	$ 27,944	$ 31,004	$ -	$ 31,004
Loan payable to related party	234,826	-	234,826	234,826	-	234,826
	262,770	-	262,770	265,830	-	265,830
Equity						
Share capital	1,203,723	-	1,203,723	1,203,723	-	1,203,723
Contributed surplus reserve	11,629	2,368	13,997	15,682	(158)	15,524
Deficit	(508,441)	(2,368)	(510,809)	(582,192)	158	(582,034)
	706,911	-	706,911	637,213	-	637,213
	$ 969,681	$ -	**$ 969,681**	**$ 903,043**	$ -	**$ 903,043**

12. Conversion to IFRS - continued

The Canadian GAAP statement of comprehensive loss for the period ended December 31, 2010 has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Transition	IFRS
Income	$ 4,559	$ -	$ 4,559
Expenses			
Management and corporate services	31,500	-	31,500
Professional	18,500	-	18,500
Government, regulatory, and filing fees	18,169	-	18,169
Shareholder communication	4,965	-	4,965
Share-based payments	4,053	(2,526)	1,527
General	1,093	-	1,093
Depreciation	30	-	30
	78,310	(2,526)	75,784
Net comprehensive loss for the year	**$ 73,751**	**$ (2,526)**	**$ 71,225**