

**NEW INTERNATIONAL INFOPET SYSTEMS LTD.**

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**Management's Discussion and Analysis  
of Financial Condition and  
Operating Results**

**For The Year Ended  
October 31, 2011**

**Prepared by Management  
(Unaudited)**

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

The following Management's Discussion and Analysis of Financial Condition and Operating Results for New International Infopet Systems Ltd. ("Infopet" or the "Company") should be read in conjunction with the Audited Financial Statements for the years ended October 31, 2011 and 2010 and the Notes thereto. The results herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The information in this Management's Discussion and Analysis was approved by the Company's Board of Directors on February 22, 2012 and contains all relevant considerations to that date.

*The following Management's Discussion and Analysis ("MD&A") may contain forward-looking statements. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual events or results to differ materially from those reflected herein. Forward-looking statements are based on the estimates and opinions of management of the Company at the time the statements were made. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements (see Risks and Uncertainties below).*

### **Risks and Uncertainties**

Some of the business risks could include:

- ability to raise financing;
- ability to meet obligations as they come due;
- reliance on related parties;
- general business and economic conditions;
- the ability to attract and retain staff;
- competition for, among other things, financings, acquisitions and skilled personnel; and
- government regulation.

*The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base their decisions on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Company also cautions readers not to place undue reliance on these forward-looking statements. Moreover, these forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above.*

### **Overview**

The unaudited financial statements of New International Infopet Systems Ltd. for the year ended October 31, 2011 reflects its results only as it has no subsidiaries. The Company has only one operating segment. Currently the Company does not carry on any particular business and amounts disclosed in the aforesaid financial statements for assets, liabilities and profits/losses for the applicable periods relate to administrative and management activities only.

## Segmented information

The Company's operations comprise a single reporting segment. As the operations comprise a single reporting segment, amounts disclosed in the financial statements for revenue, expenses, net earnings (loss) for the quarter, and basic and diluted earnings (loss) per share also represent segment amounts. Except for the investment in International Infopet Systems Inc., described in Note 5 to the Financial Statements, that has been reduced to a nominal value of \$1, all of the Company's assets and operations are in Canada.

## Overall Performance

Revenue for the year ended October 31, 2011 was \$8,000 which equal to revenue of \$8,000 for the year ended October 31, 2010.

For the year ended October 31, 2011 the company's cash position decreased by \$569 to \$1,259 compared to cash of \$1,828 as at October 31, 2010. For the year ended October 31, 2011, the Company's net loss was \$569 compared to net income of \$603 for the comparative twelve month period ended October 31, 2010.

## Financial Condition

At October 31, 2011, the Company held cash of \$1,259 compared to \$1,828 at October 31, 2010. At October 31, 2011, the Company's accounts payable and accrued liabilities were \$7,861, consistent with \$7,861 at October 31, 2010. At October 31, 2011 due to related parties was \$191,486 which remained constant compared to \$191,486 at October 31, 2010.

The Company is economically dependent on related parties for financing its ongoing operations.

## Selected Annual Information

The following table provides selected financial information for the years ended October 31.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue	\$8,000	\$8,000	\$7,000
Net Income (Loss) per Year	\$(569)	\$ 603	\$(148)
Earnings (Loss) per Share Basic and Diluted	\$(0.00)	\$0.00	\$(0.00)
Total Assets	\$1,260	\$1,829	\$1,226

## October 31, 2011 versus October 31, 2010

For the year ended October 31, 2011 consulting fee revenue was \$8,000, which was equal to \$8,000 for the same period in 2010. For the year ended October 31, 2011, expenses increased by \$1,172 to \$8,569 compared to expenses of \$7,397 for the year ended October 31, 2010. Net loss for the year ended October 31, 2011 was \$569 compared to net income of \$603 for the year ended October 31, 2010.

## October 31, 2010 versus October 31, 2009

For the year ended October 31, 2010, consulting fee revenue was \$8,000, which was 14.2857% higher than the consulting fee revenue of \$7,000 for the same period in 2009. Expenses for the year ended October 31, 2010 were \$7,397 representing an increase of \$249 compared to expenses of \$7,148 for the year ended October 31, 2009. Net income for the year ended October 31, 2010 was \$603 compared to a net loss of \$148 for the year ended October 31, 2009.

## Results of Operations – October 31, 2011

### Revenue

For the year ended October 31, 2011, revenue was \$8,000 which was consistent with the revenue of \$8,000 for the year ended October 31, 2010.

For the three months ended October 31, 2011, revenue was Nil which was identical to the revenue of Nil for the three month period ended October 31, 2010.

### Expenses

For the year ended October 31, 2011, expenses increased by \$1,172 to \$8,569 compared to expenses of \$7,397 for the comparable twelve month period ended October 31, 2010. During 2011 office costs increased by \$703 to \$2,241 compared to \$1,538 for the same period in 2010. In addition for the year ended October 31, 2011, professional fees increased by \$469 to \$6,328 compared to \$5,859 for the year ended October 31, 2010.

For the three months ended October 31, 2011 expenses were \$29 compared to \$5,522 for the three month period ended October 31, 2010. During the three month period ended October 31, 2011, office costs were \$29 and professional fees were \$Nil.

### Net Income (Loss) and Comprehensive Income (Loss) for the Period

Net loss and comprehensive loss for the year ended October 31, 2011 was \$569 compared to net income and comprehensive income of \$603 for the year ended October 31, 2010.

The net loss and comprehensive loss for the three months ended October 31, 2011 was \$29 compared to a net loss and comprehensive loss of \$5,522 for same three month period ended October 31, 2010.

### Basic and Diluted Income (Loss) per share

The basic and diluted loss per share for the year ended October 31, 2011 was \$0.00 compared to basic and diluted income per share of \$0.00 for the year ended October 31, 2010.

The basic and diluted loss per share for the three months ended October 31, 2011 was \$0.00 compared to a basic and diluted loss per share of \$0.00 for the comparable three month period ended October 31, 2010.

### Summary of Quarterly Results

The following tables reflect the summary of quarterly results for the periods set out.

	2011				2010			
	October 31	July 31	April 30	January 31	October 31	July 31	April 30	January 31
Revenue	\$Nil	\$Nil	\$8,000	\$Nil	\$Nil	\$Nil	\$8,000	\$Nil
Income (loss) for the period	\$(29)	\$(24)	\$(492)	\$(24)	\$(5,522)	\$(24)	\$6,173	\$(24)
Income (loss) per share	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.00)	\$0.00	\$0.00

Revenue for the quarter ended April 30, 2011 was \$8,000 which was equal to revenue of \$8,000 for the quarter ended April 30, 2010. During the October 2010 quarter, professional fees increased as a result of year end audit costs.

## Liquidity

The Company has a significant working capital deficiency and is economically dependent on various related parties for financing its ongoing operations. For the year ended October 31, 2011 the Company has a working capital deficiency of \$198,087 compared to a working capital deficiency of \$197,518 at October 31, 2010. The Company's primary use of funds was applied to office costs and professional fees.

The Company's current assets as of October 31, 2011 were \$1,260 which consists of cash and Long-Term Investments (October 31, 2010 - \$1,829).

The Company's current liabilities as of October 31, 2011 were \$199,347 (October 31, 2010 \$199,347). Included in current liabilities is accounts payable and accrued liabilities of \$7,861 (October 31, 2010 \$7,861) and amounts due to related parties of \$191,486 (October 31, 2010 \$191,486).

The Company will require additional sources of revenue or further advances from related parties to meet its current and future working capital obligations.

The Company's past primary source of liquidity and capital resources has been advances from related parties and consulting revenue. The Company does not currently have any contracts or commitments for capital expenditures. At present, the Company does not have sufficient resources to fund its current working capital requirements. The Company may be required to obtain additional financing by way of debt, issuance of common shares or some other means to service its working capital requirements, any additional or unforeseen obligations or to implement any future opportunities.

## Capital Resources

At present, the Company's operations are inactive. The Company does not have any contracts or commitments for capital expenditures. The Company will be required to obtain external financing in order to participate in any opportunities. In order to obtain sufficient financing, the Company may be required to obtain a listing of its common shares. If the Company issued additional common shares from treasury, it would cause the current shareholders of the Company to be diluted.

## Off- Balance Sheet Transactions

The Company has no off balance sheet arrangements.

## Related Party Transactions

Amounts due to related parties at the Company's year end October 31, are as follows:

	<b>2011</b>	<b>2010</b>
Dapaul Management Limited (as trustee) (i)	\$157,586	\$157,586
857710 Ontario Limited (ii)	32,445	32,445
Due to president (iii)	1,455	1,455
	<b>\$191,486</b>	<b>\$191,486</b>

- (i) The president of the Company owns 100% of Dapaul Management Limited. The amount due is non-interest bearing and payable on demand.
- (ii) 857710 Ontario Limited is a corporation controlled by a director and officer of the Company. The amount is unsecured, non-interest bearing, and without definite terms of repayment.

- (iii) The amount is due to the president of the Company. The amount is unsecured, non-interest bearing, and without definite terms of repayment.

During the fiscal year ended October 31, 2011, the Company received \$8,000 (2010 -\$8,000) from the Company's president for consulting services rendered to him.

These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **Economic dependence**

The Company is economically dependent on the above related parties for financing of its ongoing operations.

### **Segmented information**

Since the Company's operations comprise a single reporting segment, amounts disclosed in the financial statements for revenue, expenses, net (loss) income for the year, and basic and diluted (loss) income per share also represent segment amounts.

Except for the investment in International Infopet Systems Inc., described in Note 5, all of the Company's assets and operations are in Canada.

### **Financial Instruments**

The carrying amounts of accounts payable and accrued liabilities approximate their fair values because of the short-term maturities of these items. Due to related parties have no specific terms of repayment.

### **Fair Value Disclosure**

The fair value measurement of assets and liabilities recognized on the balance sheet are categorized into levels within a fair value hierarchy based on the nature of valuation inputs.

The fair value hierarchy has the following levels:

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

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

Level 3: Inputs for the asset or liability that are not based on observable market data

The fair value hierarchy for financial instruments measured at fair value is Level 1 for cash, accounts payable and due to related parties are classified as Level 3.

The carrying amounts of accounts payable and accrued liabilities approximates their fair values because of the short term maturities of the items. The advances from related companies are non-interest bearing with no specific terms of repayment and due on demand. The fair values of these amounts have not been disclosed because the cash flow stream of the related party amounts is not determinable.

### **Financial Risks**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign currency risks). Risk management is carried out by the Company's

management with guidance from the Audit Committee. It is management's opinion that the Company is not exposed to significant financial risks.

**Credit risk:**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held through a large Canadian financial institution and management believes that the credit risk concentration with respect to cash is not significant.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

**Liquidity risk:**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash and cash equivalents to meet liabilities when due. The Company is exposed to liquidity risk because it does not have sufficient cash to meet its short term obligations. As at October 31, 2011 and 2010, the Company had a cash balance of \$1,259 and \$1,828 respectively to settle current liabilities of \$199,347 (2010 - \$199,347). All of the Company's financial liabilities have maturities of less than 30 days and are subject to normal trade terms.

**Market risk:**

**(i) Interest rate risk**

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to a limited interest rate risk since the Company's cash account does not earn any interest.

**(ii) Foreign currency risk**

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

**Sensitivity analysis:**

GAAP requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables. The sensitivity analysis provided discloses the effect on income at October 31, 2011 assuming that a reasonably possible change in the relevant risk variable has occurred at October 31, 2011 and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities (where available) or historical data.

The sensitivity analysis provided is hypothetical and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced as the Company's actual exposure to market rates may change. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in a particular value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company. Due to the small cash balance the Company has, changes in the interest rate will have minimal impact on the cash balance and reported income in the year.

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As of October 31, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

During 2008 market events caused significant volatility in the international credit markets and other financial systems and the deterioration of global economic conditions causing a loss of confidence in the broader U.S. and global credit and financial markets. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going

### **Management of Capital**

The Company manages and adjusts its capital structure based on available funds and in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Director does not establish quantitative return on capital criteria.

As at October 31, 2011, the Company had capital resources consisting mainly of cash. The Company's primary source of funds comes from consulting fees and loans from related parties.

There were no changes in the Company's approach to capital management during the year ended October 31, 2011. The Company is not subject to externally imposed capital requirements.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Nature of Operations and Going Concern Assumption**

New International Infopet Systems Ltd. ("the Company") was incorporated under the laws of the Province of Ontario on March 9, 1965.

These financial statements are prepared using generally accepted accounting principles that are applicable to a going concern which assumes the Company will continue to operate throughout its next fiscal period subsequent to October 31, 2011. The use of these principles may be inappropriate since there is significant doubt about the Company's ability to continue as a going concern. Significant doubt exists because the Company is in a net liability position. The future viability of the Company is currently dependent upon the Company's ability to obtain sufficient cash from external financing, and generating increased revenues. In the past, the Company has been successful in obtaining financing from related parties. The Company will likely require continued support. These financial statements do not reflect any adjustments which would be necessary if the going concern assumption was not appropriate.

The Company has accumulated losses and cash flows from operations which are negative and which raises doubt as to the validity of the going concern assumption. As at October 31, 2011, the Company had an accumulated deficit of \$2,009,118. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its liabilities is dependent on management's ability to secure additional financing and cash flow. Management is pursuing such additional sources of financing and cash flow and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions



that may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statement.

## **Summary of Significant Accounting Policies**

### **Measurement Uncertainty**

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

### **Comprehensive Income (Loss)**

The Company adopted the CICA Section 1530, "Comprehensive Income" during the fiscal year ended October 31, 2007. Under these standards, the Statement of Comprehensive Income (Loss), was introduced that will provide for certain gains and losses arising from changes in fair value, to be temporarily recorded outside the income statement. Upon adoption of Section 1530, the Company incorporated the Statement of Comprehensive Income by creating a "Statement of Income and Comprehensive Income". The application of this standard did not result in comprehensive income being different from net income for the periods presented. Should the Company recognize any other comprehensive income in the future, the cumulative changes in other comprehensive income would be recognized in Accumulated Other Comprehensive Income, which would be presented as a new category within shareholders' deficiency on the balance sheets.

### **Financial Instruments and Comprehensive Income (Loss)**

Under Section 3251, "Equity", Section 3855, "Financial Instruments - Recognition and Measurement", Section 3862 "Financial Instruments - Disclosures" and Section 3863, "Financial Instruments - Disclosure and Presentation", all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of the changes in the fair values of financial instruments depends on their initial classification. Available-for-sale financial instruments are measured at fair value and all unrealized gains and losses are measured at fair value and are included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held to maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Held-for-trading investments are recognized at fair value, with any resulting gains and losses reflected in net income for the period in which they arise. Transaction costs related to financial instruments will be expensed in the period incurred.

### **Capital Disclosures**

On November 1, 2007, the Company adopted CICA Handbook Section 1535, "Capital Disclosures". Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 11 to the financial statements.

### **Financial Instruments - Disclosures and Financial Instruments - Presentation**

On November 1, 2007, the Company adopted CICA Handbook Section 3862, "Financial Instruments - Disclosures" along with Section 3863, "Financial Instruments - Presentation". These new Sections replace Handbook Section 3861, "Financial Instruments — Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

### **Financial Instruments - Recognition and Measurement**

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No.166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective November 1, 2007 which requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement". The Company evaluated the impact of EIC-166 and determined that no adjustments were required.

### **Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributed to differences between the financial statement carrying value of assets and liabilities and their respective income tax basis. Future income tax assets and liabilities are measured using substantially enacted income tax rates expected to apply to taxable income when the asset is realized or the liability is settled. The effect on future income tax assets and liabilities of a change in the tax rates is included in income in the period in which the change occurs. Future income tax assets are evaluated and, if realization is not considered "more likely than not", a valuation allowance is provided.

### **Accounting Changes**

The Company adopted the revised CICA Section 1506, "Accounting Changes" during the fiscal year ended October 31, 2007. This section provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. It also requires disclosure about the nature and impact of new accounting standards that have been issued but are not yet effective.

### **Stock Option Compensation**

The CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments, requires that compensation for option awards to employees be recognized in the financial statements at fair value for options granted in fiscal years beginning on or after January 1, 2004. The Company adopted this section prospectively for new option awards granted on or after October 31, 2003.

### **Goodwill and Intangibles**

In February 2008, the CICA approved Handbook 3064, "Goodwill and Intangible Assets: which replaces the existing Handbook Section 3062, "Goodwill and Other Intangible Assets" and 3450 Research and Development Costs". The standards provide guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. This section was adopted by the Company for its financial statements beginning on November 1, 2008.

### **Going Concern Disclosures**

The CICA has amended Section 1400, "General Standard of Financial Statement Presentation" to include requirements to assess and disclose the Company's ability to continue as a going concern. The Company

will adopt this amended section in fiscal year beginning November 1, 2009. The adoption of this section is not expected to have an impact on the Company's financial statements.

## **New Accounting Standards**

### **Categories of Financial Assets and Liabilities**

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments – Disclosures" in an effort to make Section 3862 consistent with International Financial Reporting Standards Section 7 – Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (Level 1) quoted prices (unadjusted) in active markets for identical assets or liabilities; (Level 2) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and (Level 3) inputs for the asset or liability that are not based on observable market data (unobservable inputs). These standards apply to interim and annual financial statements relating to fiscal years ending after September 30, 2009. The Company has included disclosures recommended by the new Handbook section in Note 3 in its financial statements.

### **Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The Company is continually evaluating the effects of this standard. The adoption of this new section did not have an impact on the Company's financial statements.

## **Future Accounting Standards**

### **Business Combinations, Consolidated Financial Statements and Non-controlling Interests**

Business Combinations, Consolidated Financial Statements and Non-controlling Interests – The CICA issued three new accounting standards in January 2009: section 1582, Business Combinations, section 1601, Consolidated Financial Statements, and section 1602, Non-controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 – Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace 1600 – Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating

to fiscal years beginning on or after January 1, 2011. The adoption of these new sections is not expected to have any significant impact on the Company financial statements.

### **Multiple Deliverable Revenue Arrangements**

In December 2009, the CICA issued EIC 175 – “Multiple Deliverable Revenue Arrangements” replacing EIC 142 – “Revenue Arrangements with Multiple Deliverables”. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence (“VSOE”) or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal periods beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity’s fiscal period, it must be applied retrospectively from the beginning of the Company’s fiscal period of adoption. The Company expects to adopt EIC 175 effective January 1, 2011. The Company does not believe the standard will have a material impact on its consolidated financial statements.

### **International Financial Reporting Standards (“IFRS”)**

In January 2006, the CICA’s AcSB formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the Accounting Standards Board confirmed that publicly accountable, profit oriented enterprises will be required to report under IFRS for interim and annual financial statements for periods commencing on or after January 1, 2011. Accordingly, the Company will be required to have prepared, in time for its fiscal 2012 first quarter filing, comparative financial statements in accordance with IFRS for the three months ending January 31, 2012. This will be an ongoing process as the International Accounting Standards Board and the AcSB continue to issue new standards and recommendations. The Company is in the process of evaluating the potential impact of IFRS on its financial statements. Based on the current guidance provided by regulatory bodies, it is anticipated that the Company’s financial results and position as disclosed in its current Canadian GAAP financial statements will not differ significantly from that which is required in accordance with IFRS.

The Company is assessing the potential impacts of this changeover and is developing its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential exemptions to the initial adoption of IFRS as permitted by IFRS Statement 1.

### **Transition to International Financial Reporting Standards**

In February 2008, the Accounting Standards Board confirmed that the transition date to International Financial Reporting Standards (“IFRS”) from Canadian GAAP will be January 1, 2011 for publicly accountable enterprises. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended January 31, 2012. The Company’s 2012 interim and annual financial statements will include comparative 2011 financial statements adjusted to comply with IFRS.

The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company’s reported financial position and results of operations. The Company is assessing the potential impacts of this changeover and has commenced the development of an IFRS implementation plan to prepare for this transition, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential exemptions to the initial adoption of IFRS as permitted by IFRS Statement 1.

The table below summarizes the key elements of the transition plan and the expected timing of activities related to the Company's transition:

Initial analysis of key areas for which changes to accounting policies may be required	Completed
Detailed analysis of all relevant IFRS requirements and identification of area requiring accounting policy changes or those with accounting policy alternatives	Completed
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Completed
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	In progress to be completed in conjunction with the Q1 2012 IFRS financial statements.
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In progress to be completed in conjunction with the Q1 2012 IFRS financial statements.
Management and employee training	Throughout the transition period
Quantification of the Financial Statement impact of changes in accounting policies	In progress to be completed in conjunction with the Q1 2012 IFRS financial statements.

The Company is in the process of analyzing key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment include:

#### *Revenue Recognition*

As the Company does not have any significant revenue to report, it will be adopting appropriate policies to satisfy IFRS requirements.

#### *Financial Instruments*

The Company's current financial instruments are simple and require no analysis.

#### *Stock-based Compensation*

IFRS 2 *Share-Based Payments* requires the expense related to share-based payments to be recognized as the options vest; that is, for options that vest over a period of time, each tranche must be treated as a separate option grant which accelerates the expense recognition in comparison to Canadian GAAP which allows the expense to be recognized on a straight-line basis over the period the options vest. While the carrying value for each reporting period will be different under IFRS, the cumulative expense recognized over the life of the instrument under both methods will be the same. Going forward under IFRS, stock-based compensation is expected to be higher because the graded vesting requirements of IFRS result in accelerated expense recognition. At present the Company has no options issued.

#### *Accounting for Income Tax*

In transitioning to IFRS, the carrying amount of the Company's tax balances will be directly impacted by the tax effects resulting from changes required by the above IFRS accounting policy differences. Due to the recent withdrawal of the exposure draft on IAS 12 *Income Taxes* in November 2009, the Company is still determining the impact of the revised standard on its IFRS transition. Therefore, at this time the income tax impacts of the differences are not reasonably determinable.

#### *Actuarial Valuations*

As the Company has no employee benefit plans, a transitional evaluation of liabilities is not applicable.

As the analysis of each of the key areas progress, other elements of the Company's IFRS transition plan will also be addressed, including the implication of changes to accounting policies and processes, financial statement note disclosures on information technology; internal controls, contractual arrangements and employee training.

### Trend Information

The Company has no determinable trends. During the years ended October 31, 2011 and 2010, the Company had relatively consistent consulting revenue and similar expenses relating to year-end audit costs and administrative and professional fees.

### Other MD&A Requirements

#### a) Additional Information

Additional information relating to the Company may be obtained or viewed from the System for Electronic Data Analysis and Retrieval at [www.sedar.com](http://www.sedar.com)

#### b) Share Capital as at October 31, 2011 and as at the date of this MD&A

<b>Authorized:</b>	<u>2011</u>	<u>2010</u>
Unlimited Common shares		
<b>Issued:</b>		
1,068,400 Common shares	<b><u>\$1,586,504</u></b>	<b><u>\$1,586,504</u></b>

### Basic and diluted loss per share

The following table sets forth the computation of basic and diluted loss per share:

	<u>2011</u>	<u>2010</u>
<b>Numerator:</b>		
Net (loss) income for the year	\$(569)	\$603
Numerator for basic and diluted loss per share	<u>\$(569)</u>	<u>\$603</u>
<b>Denominator:</b>		
Weighted average number of Common shares	1,068,400	1,068,400
Denominator for basic and diluted loss per share (i)	<u>1,068,400</u>	<u>1,068,400</u>
<b>Basic (loss) income per share</b>	<u>\$(0.00)</u>	<u>\$0.00</u>
<b>Diluted (loss) income per share</b>	<u>\$(0.00)</u>	<u>\$0.00</u>

(i) The Company had no convertible shares, stock options or warrants outstanding during the current or prior year.