

**NEW INTERNATIONAL INFOPET SYSTEMS LTD.**

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

**For The Six Months Ended  
April 30, 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 Unaudited Interim Financial Statements for the Six months ended April 30, 2011 and the Audited Financial Statements for the year ended October 31, 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 June 14, 2011 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 interim financial statements of New International Infopet Systems Ltd. for the six months ended April 30, 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 six months ended April 30, 2011 was \$8,000 which was consistent with revenue of \$8,000 for the same six month period in 2010.

For the six months ended April 30, 2011 the company's cash position decreased by \$516 to \$1,312 compared to cash of \$1,828 as at October 31, 2010. For the six months ended April 30, 2011, the Company's net loss was \$516 compared to net income of \$6,149 for the comparative three month period ended April 30, 2010.

## **Financial Condition**

At April 30, 2011, the Company held cash of \$1,312 compared to cash of \$1,828 at October 31, 2010. At April 30, 2011, the Company's accounts payable and accrued liabilities were \$7,861, consistent with \$7,861 at October 31, 2010. At April 30, 2011 amounts due to related parties was \$191,486 which remained constant compared to \$191,486 at October 31, 2010. The Company has a working capital deficiency of \$(198,035) at April 30, 2011 compared to a working capital deficiency of \$(197,519) at October 21, 2010.

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

## **Results of Operations – April 30, 2011**

### **Revenue**

For the six and three month period ended April 30, 2011, revenue was \$8,000 which was identical to the revenue of \$8,000 for the six and three month period ended April 30, 2010.

### **Expenses**

For the six months ended April 30, 2011 expenses increased by \$6,665 to \$8,516 compared to \$1,851 for the six month period ended April 30, 2010. The increase in expenses during 2011 was primarily related to an increase in professional fees of \$5,969 to \$6,328 compared to \$359 during the prior period and an increase in office costs of \$696 to \$2,188 compared to \$1,492 for the same six month period ended April 30, 2010.

For the three months ended April 30, 2011 expenses by \$6,665 to \$8,492 compared to \$1,827 for the same three month period in 2010. Office costs for the three month period ended April 30, 2011 increased by \$696 to \$2,164 compared to \$1,468 for the same three month period ended April 30, 2010. In addition, professional fees increased by 5,969 to \$6,328 compared to \$359 for the same three month period ended April 30, 2010.

## Net Income (Loss) and Comprehensive Income (Loss)

Net loss and comprehensive loss for the six months ended April 30, 2011 was \$516 compared to a net income and comprehensive income of \$6,149 for the six month period ended April 30, 2010.

Net loss and comprehensive loss for the three months ended April 30, 2011 was \$492 compared to a net income and comprehensive income of \$6,173 for the three month period ended April 30, 2010.

The resulting net loss and comprehensive loss for the three and six month periods ended April 30, 2011 were a result of higher professional fees and offices costs when compared to the prior periods in 2010.

## Basic and Diluted Loss per share

The basic and diluted income(loss) per share for the six month and three month periods ended April 30, 2011 was \$Nil compared to basic and diluted income (loss) per share of \$Nil for the same six and three month periods ended April 30, 2010.

## Summary of Quarterly Results

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

	2011		2010				2009	
	April 30	January 31	October 31	July 31	April 30	January 31	October 31	July 31
Revenue	\$8,000	\$Nil	\$Nil	\$	\$8,000	\$Nil	\$Nil	\$Nil
Income (loss) for the period	\$(492)	\$(24)	\$(5,552)	\$(24)	\$6,173	\$(24)	\$126	\$(24)
Income (loss) per share	\$(0.00)	\$(0.00)	\$(0.01)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Revenue for the quarter ended April 30, 2011 was identical to revenue of \$8,000 for the quarter ended April 30, 2010. During the October 2010 and 2009 quarters, 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. At April 30, 2011 the Company had a working capital deficiency of \$198,035 compared to a working capital deficiency of \$197,519 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 April 30, 2011 were \$1,312 which consists of cash (October 31, 2010 - \$1,828).

The Company's current liabilities as of April 30, 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 six months ended April 30, 2011 and its year end October 31, 2010 are as follows:

	<b>April 30, 2011</b>	<b>October 31, 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 six months ended April 30, 2011, the Company received \$8,000 (April 30, 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 income (loss) for the year, and basic and diluted income (loss) 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. At April 30, 2011, the Company had a cash balance of \$1,312 (October 31, 2010 \$1,874) respectively to settle current liabilities of \$199,347 (October 31, 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 April 30, 2011 assuming that a reasonably possible change in the relevant risk variable has occurred at April 30, 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.

<b>Financial assets</b>	<b>Carrying amount April 30, 2011</b>	<b>Interest rate risk - 1% income</b>	<b>Interest rate risk + 1% income</b>
Cash	\$1,312	(\$13)	\$13

As of April 30, 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 April 30, 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 three months ended April 30, 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 interim 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, 2010. 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 April 30, 2011, the Company had an accumulated deficit of \$2,009,065. 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")**

On February 13, 2008, the Accounting Standards Board confirmed that the transition date to IFRS from Canadian GAAP will be January 1, 2011 for publicly accountable enterprises. Therefore the Company will be required to report its results in accordance with IFRS starting in 2011, with comparative IFRS information for the 2010 fiscal year. The eventual changeover to IFRS represents changes due to new

accounting standards. 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 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. The Company is developing a transition plan to complete the transition to IFRS by October 31, 2011, with comparative IFRS information for the 2010 fiscal year.

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	Throughout fiscal 2011
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Throughout fiscal 2011
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Q3 and Q4 2011
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q3 and Q4 2011
Management and employee training	Throughout the transition period
Quantification of the Financial Statement impact of changes in accounting policies	Throughout fiscal 2011

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:

### **Future Income Taxes**

The transition to IFRS will require the Company to re-measure its deferred income taxes for its November 1, 2010 balance sheet. Adjustments to deferred income taxes will be made accordingly in conjunction with other transition IFRS adjustments discussed earlier, with an offsetting adjustment to the November 1, 2010 deficit. Subsequent changes in the deferred tax liability are recognized in profit or loss. Like IFRS, under Canadian GAAP the total income tax expense recognized in profit or loss generally is the sum of current income tax expense (or recovery) plus the change in deferred (future) income tax liabilities and assets during the period, net of tax recognized either in other comprehensive income or directly in

equity, or arising from a business combination. However the treatment of income taxes relating to certain items charged or credited directly to equity and relating to business combinations differs from IFRS. Also, unlike IFRS, income tax expense under Canadian GAAP specifically excludes changes in deferred tax liabilities and assets during the period arising from acquisition of an asset other than in a business combination, which is recorded as an adjustment to the carrying amount of such asset, and taxes relating to certain other items.

Also unlike IFRS, under Canadian GAAP, there is no exemption from recognizing a deferred tax liability (asset) for the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit. Unlike IFRS, under Canadian GAAP, the carrying amount of an asset acquired, other than in a business combination, is adjusted for the amount of the deferred tax recognized. Like IFRS, under Canadian GAAP, deferred tax is measured based on enacted or substantially enacted tax rates and laws. However, unlike IFRS, Canadian GAAP provides additional guidance on the determination of substantively enacted tax rates.

### **Financial Instruments**

Like IFRS, all financial instruments under Canadian GAAP are classified into “loans and receivables”, “held to maturity”, “held for trading” (fair value through profit or loss) or “available for sale” categories. However, under Canadian GAAP, there are certain differences from IFRS with respect to designating assets into the held for trading category. Also, like IFRS, under Canadian GAAP, financial instruments are initially measured at fair value, except that there are special rules with respect to the measurement of financial instruments originating as a result of transferred to or from related parties, which is unlike IFRS.

### **Events after the reporting date**

The financial statements are adjusted to reflect events that occur after the reporting (balance sheet) date, if those events provide evidence of conditions that existed at the reporting date. Under IFRS, the post reporting date period is to the date that the financial statements are authorized for issue. Unlike IFRS, under Canadian GAAP, the post-reporting date period is to the date of completion of the financial statements, which may be earlier than the date that the financial statements are authorized for issue.

### **Information technology and data systems**

The Company will be performing an assessment of the implications of IFRS on its information technology and data systems. The Company’s current data gathering and accounting system is capable of obtaining and recording data at a level of detail required for IFRS.

### **Business activities**

The Company has reviewed the impact of IFRS and it is not expected that IFRS will result in any significant changes to the Company’s business activities.

### **Internal control over financial reporting and disclosure controls and procedures**

The implementation of IFRS may require changes to the Company’s internal controls over financial reporting (“ICFR”) and disclosure controls and procedures (“DC&P”). The Company plans to assess the changes required in its ICFR and DC&P as accounting policy choices are finalized and its implications on ICFR and DC&P are identified. Bonanza continues to quantify the effects of choices available under IFRS which impact the opening balance sheet. Certain proposed opening balance sheet adjustments have been reviewed with the Company’s Board of Directors. Once the opening balance sheet adjustments are finalized, the Company will complete the roll-forward of the first to fourth quarter 2011 financial statements to IFRS. IFRS will likely result in additional disclosures in the Company’s financial statements. As part of preparing draft IFRS disclosures, the Company has analyzed and will continue to analyze the additional disclosures to ensure sufficient information is available upon adoption of IFRS.

During the fourth quarter of 2011, the Company will concentrate on its information technology and data systems, as well as deferred income taxes upon transition to IFRS. We will continue to monitor standards

development as issued by the International Accounting Standards Board and the AcSB, as well as regulatory developments as issued by the Canadian Securities Administrators (CSA), which may affect the timing, nature or disclosure of our adoption of IFRS.

### Trend Information

The Company has no determinable trends. During the years ended October 31, 2010 and 2009, 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 April 30, 2011 and as at the date of this MD&A

<b>Authorized:</b>	<u>April 30, 2011</u>	<u>October 31, 2010</u>
Unlimited Common shares		
<b>Issued:</b>		
1,068,400 Common shares	<u><b>\$1,586,504</b></u>	<u><b>\$1,586,504</b></u>

### Basic and diluted loss per share

The following table sets forth the computation of basic and diluted loss per share at April 30,:

	<u>2011</u>	<u>2010</u>
<b>Numerator:</b>		
Net loss for the period	\$(516)	\$649
Numerator for basic and diluted loss per share	<u>\$(516)</u>	<u>\$649</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 income (loss) per share</b>	<u>\$(0.00)</u>	<u>\$0.00</u>
<b>Diluted income (loss) 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.