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**COMPEL CAPITAL INC.**

**Financial Statements**

**For the Quarter Ended March 31, 2011**

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**Compel Capital Inc.**  
**Statement of Financial Position**  
**As at March 31, 2011**

<b>AS AT</b>	<b>31-Mar 2011</b>	<b>31-Dec 2010</b>	<b>1-Jan 2010</b>
	(unaudited)		(unaudited)
<b>ASSETS</b>			
	\$0	\$0	0
<b>LIABILITIES</b>			
Payables and accruals	12,332	12,258	73,915
Loans Payable (Note 3)	0	0	63,883
<b>Payables and accrued liabilities</b>	<b>12,332</b>	<b>12,258</b>	<b>137,798</b>
<b>SHAREHOLDERS' Deficiency</b>			
Share capital (Note 6)	308,165	308,165	158,699
Deficit	(320,497)	(320,423)	(296,497)
	(12,332)	(12,258)	(137,798)
	\$0	\$0	\$0

**Compel Capital Inc.**  
**Statement of Loss and Comprehensive Loss and Deficit**  
**For the quarter ended March 31, 2011**

	<b>Quarter ended</b>	<b>Quarter ended</b>
	<b>Mar 31 2011</b>	<b>Mar 31 2010</b>
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Expenses		
Transfer Agent an filing fees	74	2,190
General and Administrative	0	9,775
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Net Loss	(74)	(11,965)
Other Comprehensive Income (Loss)	-	-
Total Comprehensive Loss	(74)	(11,965)
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Deficit, Beginning of Period	(320,423)	(296,497)
Deficit, End of Period	(320,497)	(284,532)
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Loss per Share Basic and Diluted	\$ (0.000)	\$ (0.019)
Weighted Average number of Common Shares outstanding - basic and diluted	1,361,531	632,628

**Compel Capital Inc.**  
**Interim Statement of Cash Flows**  
**For the quarter ended March 31, 2011**

	Quarter ended Mar 31 2011	Quarter ended Mar 31 2010
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net Loss for the quarter	(74)	(11,965)
Payables and accruals	74	11,965
	-	-
FINANCING ACTIVITIES		
	0	0
Change in cash for the year	0	0
Cash, beginning of year	0	0
	\$0	\$0

Compel Capital Inc.  
Statement of Changes in Equity  
(unaudited)

	Share Capital	Contributed Surplus	Accumulated OCI	Deficit	Total Equity
Balance January 1, 2011	20,010			(944,740)	(924,730)
Net Earnings (Loss)				(26,382)	(26,382)
Other Comprehensive Income					
Balance March 31, 2011	<u>20,010</u>	<u>0</u>	<u>0</u>	<u>(971,122)</u>	<u>(951,112)</u>
Balance January 1, 2010	20,010			(866,285)	(846,275)
Net Earnings (Loss)				(63,047)	(63,047)
Other Comprehensive Income					
Balance March 31, 2010	<u>20,010</u>	<u>0</u>	<u>0</u>	<u>(929,332)</u>	<u>(909,322)</u>

**COMPEL CAPITAL INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED MARCH 31, 2011**

**1. Going concern**

Compel Capital Inc. (the "Company") incorporated under the laws of the Province of Ontario has been inactive for several years.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. This assumes that the Company will realize its net assets in the normal course of business. The Company has incurred significant losses for the past several years and has no assets and that creates doubts as to its ability to continue as a going concern. Management is in the process of identifying sources for additional financing for working capital and to fund the development of business and management proposes to develop plans to continue the business as a going concern.

**2. Significant Accounting Policies**

*Cash and Cash Equivalents*

Cash and cash equivalents is defined as cash and short-term investments having a maturity of three months or less.

*Share Issue Costs*

Cost incurred in connection with the issuance of capital are recorded as a charge to share capital.

*Income Taxes*

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

*Earnings (Loss) per Share*

Basic earnings (loss) per share is calculated based on the weighted average number of shares outstanding. The treasury stock method is used to compute the dilutive effect of options, warrants and similar instruments.

*Financial Instruments*

In management's opinion, the carrying amount of financial instruments approximates fair value unless otherwise noted.

*Stock Options*

The Company adopted the amended CICA Handbook Section 3870, which required that a fair value based method of accounting be applied to all stock-based payments to non-employees and to direct awards of stock to employees.

*Use of Estimates*

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant area requiring the use of management’s judgments relates to the recording of accruals. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Fair value of the options granted has been calculated using the Black scholes model.

#### Financial Instruments

Effective August 1, 2007, the Company adopted the recommendations of CICA Handbook Section 3855 “Financial Instruments – Recognition and Measurement” (“Section 3855”), Section 3865 – “Hedges” (“Section 3865”), Section 3861 – “Financial Instruments – Disclosure and Presentation” (Section 3861”), Section 1530 “Comprehensive Income” (“Section 1530”) and Section 3521 “Equity” (“Section 3251”).

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Upon adoption, all existing and new financial assets and financial liabilities of an enterprise must be classified as either held for trading, held to maturity, or available for sale with each classification having a different accounting treatment after the initial recognition of the asset or liability. All financial assets and financial liabilities must be measured at fair value upon initial recognition.

After initial recognition, the financial assets are measured according to the following guidelines. Financial assets that are classified as available for sale or held for trading must be measured at fair value. Any gain or loss on a financial asset held for trading is recorded in the statements of operations and comprehensive income (loss) in the period in which it occurs. Any gain or loss on a financial asset that is available for sale is recorded in other comprehensive income (loss) until the financial asset is derecognized, at which point the cumulative gain or loss is recognized in net income(loss). Financial assets that are classified as held to maturity should be measured at amortized cost using the effective interest method.

After initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method.

The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

<u>Asset/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash & cash equivalents	Held for trading	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

The standard also addresses the appropriate accounting for non-financial contracts with embedded derivatives. The Company does not have any contracts with embedded derivatives.

Section 3865 specifies circumstances under which hedge “accounting” is permissible, and how hedge accounting may be performed. The Company currently does not have any hedges.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Additional disclosures, if required, have been added for the current period upon adoption of this new standard.

Section 1530 sets the standard for reporting and displaying of comprehensive income (loss). It does not address issues of recognition or measurement for comprehensive income (loss) or its components. The standard requires that comprehensive income (loss) and its individual

components be presented in the Company's financial statements. The adoption of this policy did not have a material impact on the Company's financial results for the year.

Section 3251 establishes the standards for presentation of equity and changes in equity during the reporting period. The application of this standard did not materially change the Company's statement of shareholders' equity.

#### Capital Disclosures

During the year, the Company adopted the new recommendations of CICA Handbook Section 1535, Capital Disclosures which require disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such noncompliance (see note 12).

#### Financial Instruments – Disclosure

During the year the Company adopted the new recommendations of CICA Handbook Section 3862, Financial Instruments – Disclosure which increases the disclosure currently required that will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risk arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable.

#### Financial Instruments – Presentation

During the year, the Company adopted the new recommendations of CICA Handbook Section 3863, Financial Instruments – Presentation which replaces the existing requirements on presentation of financial instruments which have been carried forward unchanged to this section.

#### General Standards on Financial Statement Presentation

During the year, the Company adopted the new recommendations of CICA Handbook Section 1400, General Standards on Financial Statement Presentation, which have been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The adoption of this standard had no material effect on these financial statements.

#### Inventories

Effective August 1, 2008, the company adopted the new recommendations of the CICA Handbook Section 3031, "Inventories," that replaces Section 3030 and establishes new standards for the measurement and disclosure of inventories. The main features of the new Section are as follows:

- Measurement of inventories at the lower of cost and net realizable value
- Consistent use of either first-in, first-out or a weighted average cost formula to measure cost
- Reversal of previous write-downs to net realizable value when there is a subsequent increase to the value of inventories.

The adoption of this section has no effect on the financial statements of the company.



## Recent Accounting Pronouncements

### (i) Consolidated Financial Statements and Non-Controlling Interests

CICA HB Section 1601, Consolidated Financial Statements and HB Section 1602, Non-controlling Interests replace CICA HB Section 1600, Consolidated Financial Statements. HB Section 1601 establishes standards for the preparation of consolidated financial statements. HB Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. HB Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on or after January 1, 2011, which for this company is August 1, 2011. The company does not expect the adoption of this section to have an impact on its financial statements.

### (ii) Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period of the Corporation beginning on or after January 1, 2011, which for this company is August 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with International Financial Reporting Standards (IFRS). The company does not expect the adoption of this section to have an impact on its financial statements.

### (iii) Goodwill and Intangible Assets

In January 2008, the CICA issued Section 3064 "Goodwill and Intangible Assets", which replaces Section 3062 "Goodwill and Other Intangible Assets", and results in the withdrawal of Section 3450 "Research and Development Costs", and Emerging Issues Committee Abstract 27 "Revenues and Expenditures during the Pre-operating Period", and amendments to Accounting Guideline No 11 "Enterprises in the Development Stage". The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed.

### (iv) Goodwill and Intangible Assets

Standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, which for this company is August 1, 2009. Earlier adoption is encouraged. The company does not expect the adoption of this section to have an impact on its financial statements.

### (v) International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) published a new strategic plan that outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. The changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles is interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with the restatement for comparative purposes of amounts reported by the Company. IFRS is effective for the Company on August 1, 2011 with the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. The Company has begun assessing the adoption of IFRS for 2011 and the financial reporting impact of the transition to

IFRS is not expected to be significant, with the exception of additional note disclosures. The company has implemented IFRS reporting.

### 3. Cash and Cash Equivalents

The proceeds raised from the issuance of capital stock may only be used to identify and evaluate assets or businesses for future investments. The market value of cash and cash equivalents is equal to its carrying value.

### 4. Capital Stock

Authorized:

Unlimited Common Shares

Issued – Common Shares:

	Number of Shares	Amount
<b>Balance as at March 31, 2011</b>	<b>2,127,288</b>	<b>\$ 308,165</b>
<b>Balance as at March 31, 2011</b>	<b>632,627</b>	<b>\$ 158,699</b>

As at March 31, 2011 the Company had 2,127,288 common shares issued and outstanding. On July 6, 2010 the Company issued a total of 1,494,660 common shares to certain of the Company's debt holders at a subscription price of \$ 0.10 per share in full and final settlement of \$ 149,660 principal amount of unsecured debt (the "Debt Settlement Transaction")

### 5. Loans payable

The loans are interest-free and have no fixed terms of repayment.

### 6. Related party transactions

There are no related party transactions.

### 7. Capital risk management

The Company considers capital stock, contributed surplus and deficit to represent capital. As at March 31, 2011, the Company has a negative capital balance and managements' objective is to maintain its ability to continue as a going concern by identifying sources for additional financing for working capital and to fund the development of a business.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the quarter ended March 31, 2011.

### 8. Stock-Based Compensation

No stock-based compensation has been issued in the quarter ended March 31, 2011