QUINSAM CAPITAL CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2011

Expressed in Canadian Dollars

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Quinsam Capital Corporation

We have audited the accompanying financial statements of Quinsam Capital Corporation, which comprise the statements of financial position as at December 31, 2011, and 2010 and January 1, 2010, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Quinsam Capital Corporation's ability to continue as a going concern.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 12, 2012

PARTNERSHIP OF:
VANCOUVER Robert J. Burkart, Inc. James F. Carr-Hilton Ltd. Kenneth P. Chong Inc. Alvin F. Dale Ltd. David J. Goertz, Inc. Barry S. Hartley, Inc. Reginald J. LaBonte Ltd. Robert J. Matheson, Inc. Rakesh I. Patel Inc. F.M. Yada FCA Inc. WHITE ROCK Michael K. Braun Inc. Peter J. Donaldson, Inc. TRI-CITIES G.D. Lee Inc. Fraser G. Ross, Ltd. Brian A. Shaw Inc.

QUINSAM CAPITAL CORPORATION

STATEMENTS OF FINANCIAL POSITION

	December 31, 2011	December 31, 2010 (Note 13)	January 1, 2010 (Note 13)
ASSETS			
CURRENT			
Cash and cash equivalents (Note 3)	$ 398,709	$ 710,060	$ 920,055
Receivables (Note 4)	21,304	3,530	9,740
	420,013	713,590	929,795
EQUIPMENT AND INTANGIBLE ASSETS (Note 5)	265	75,208	115
	$ 420,278	$ 788,798	$ 929,910
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities (Note 6)	$ 15,406	$ 17,068	$ 15,090
Due to related parties (Note 8)	17,797	-	-
Deferred revenue	1,690	-	-
	34,893	17,068	15,090
SHAREHOLDERS' EQUITY			
SHARE CAPITAL (Note 7)	1,719,893	1,717,393	1,717,393
OPTION RESERVE (Note 7)	4,500	4,500	4,500
DEFICIT	(1,339,008)	(950,163)	(807,073)
	385,385	771,730	914,820
	$ 420,278	$ 788,798	$ 929,910

Approved on behalf of the Board

"Roy Zanatta"
Roy Zanatta – Director

"Bryan Beer"
Bryan Beer – Director

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

QUINSAM CAPITAL CORPORATION

STATEMENTS OF COMPREHENSIVE LOSS

		Year ended December 31, 2011		Year ended December 31, 2010 (Note 13)
REVENUES				
Subscriptions	$	835	$	-
EXPENSES				
Depreciation (Note 5)		(17,214)		(187)
General and administrative (Note 8)		(183,904)		(143,074)
Gain (loss) on foreign exchange		1,525		(5,483)
Interest Income		6,685		5,654
Website maintenance		(1,688)		-
		(194,596)		(143,090)
LOSS FROM OPERATIONS		(193,761)		(143,090)
OTHER ITEM				
Impairment of intangible assets (Note 5)		(195,084)		-
		(195,084)		-
COMPREHENSIVE LOSS	$	**(388,845)**	$	**(143,090)**
NET LOSS PER SHARE – BASIC AND DILUTED	$	(0.02)	$	(0.01)

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

QUINSAM CAPITAL CORPORATION

STATEMENTS OF CHANGES IN EQUITY

		Share capital		Reserves		
	Note	Number of shares	Amount	Option reserve	Deficit	Total
Balance at January 1, 2010	13	**22,350,000**	**$ 1,717,393**	**$ 4,500**	**$ (807,073)**	**$ 914,820**
Comprehensive income:						
Loss for the period		-	-	-	(143,090)	(143,090)
Total comprehensive loss for the year		-	-	-	(143,090)	(143,090)
Total transactions with shareholders and other transfers		-	-	-	-	-
Restated balance at December 31, 2010		**22,350,000**	**$ 1,717,393**	**$ 4,500**	**$ (950,163)**	**$ 771,730**
Balance at January 1, 2011		**22,350,000**	**$ 1,717,393**	**$ 4,500**	**$ (950,163)**	**$ 771,730**
Comprehensive income:						
Loss for the period		-	-	-	(388,845)	(388,845)
Total comprehensive loss for the period		-	-	-	(388,845)	(388,845)
Transactions with shareholders and other transfers:						
Shares issued		500,000	2,500	-	-	2,500
Total transactions with shareholders and other transfers		-	-	-	-	-
Balance at December 31, 2011		**22,850,000**	**$ 1,719,893**	**$ 4,500**	**$ (1,339,008)**	**$ 385,385**

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

QUINSAM CAPITAL CORPORATION

STATEMENTS OF CASH FLOWS

		Year ended December 31, 2011		Year ended December 31, 2010 (Note 13)
OPERATING ACTIVITIES				
Net loss	$	(388,845)	$	(143,090)
Items not involving cash:				
Depreciation		17,214		187
Impairment of intangible assets		195,084		-
Changes in non-cash working capital:				
Receivables		(17,774)		6,210
Accounts payable and accrued liabilities		(1,662)		1,978
Due to related parties		17,797		-
Deferred revenue		1,690		-
Cash flows used in operating activities		(176,496)		(134,715)
INVESTING ACTIVITIES				
Equipment		-		(481)
Intangible assets		(134,855)		(74,799)
Cash flows used in investing activities		(134,855)		(75,280)
DECREASE IN CASH AND CASH EQUIVALENTS		(311,351)		(209,995)
CASH AND CASH EQUIVALENTS, BEGINNING		710,060		920,055
CASH AND CASH EQUIVALENTS, ENDING	$	398,709	$	710,060

Non-cash transactions (Note 11)

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

NOTE 1- NATURE OF OPERATIONS

Quinsam Capital Corporation (the "Company") was incorporated under the Canada Business Corporations Act on March 18, 2004 in British Columbia. The Company entered into the merchant banking business during December 2007 and in March 2010, the Company entered into an online learning business. The Company was previously in the business of acquisition and development of mineral property interests and other assets or businesses related to the resource industry. The Company is domiciled in Canada and its registered office is at 510 – 4438 West 10th Avenue, Vancouver, BC.

These financial statements have been prepared on a going concern basis. The Company has incurred losses since inception and further losses are anticipated in the development of its business raising substantial doubt about the Company's ability to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and conversion to International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first set of annual financial statements prepared in accordance with IFRS. The disclosures concerning the transition from pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 13.

The financial statements were authorized for issue by the board of Directors on April 12, 2012.

Basis of Presentation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates and assumptions relate to the carry value of equipment and intangible assets, estimates of the useful lives of equipment and intangible assets and the estimation of future income tax rates. Financial results as determined by actual events could differ from those estimates.

Revenue

Revenue from subscription is recognized as revenue when the amounts are determinable, collection is reasonably assured and the service has been rendered. Amount received for future services is recorded as deferred income.

Cash and Cash Equivalents

The Company considers cash equivalents to be short-term investments with a maturity of ninety days or less at the date of acquisition.

Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of Assets

The carrying amount of the Company's assets (which include equipment and intangible assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment of Assets (continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	Depreciation rate
Equipment	30%

Intangible Assets

Intangible asset relate to the website development costs incurred and licensing fees paid. The identifiable and directly associated external and internal costs of acquiring and developing the website are capitalized where it is probably that future economic benefits exceeding costs will flow from use over more than one year and technical feasibility has been established. Costs associated with maintaining the website are recognized as an expense when incurred. Management evaluates the recoverability of intangible asset periodically and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment may exist. All of the Company's identifiable intangible assets that have a finite life are subject to amortization. Website development costs are amortized on a systematic basis over the websites estimated useful life as future economic benefits are realized. Specifically, the Company amortizes these costs at a rate of 20% per annum. License fees are paid by the Company relating to 3 separate licensing agreements entered into by the Company (See Note 5). License fees are amortized over a period of five years, the length of the license.

Loss per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Income Taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Accounting standards issued by not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2012 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, will not have a material effect on the Company's future results and financial position:

i) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);

ii) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);

iii) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);

iv) IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);

v) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);

vi) IAS 1 Presentation of Financial Statements, (Amendments regarding Presentation of Items of Other Comprehensive Income);

vii) IAS 19 Employee Benefits (Amended in 2011);

viii) IAS 27 Separate Financial Statements (Amended in 2011);

ix) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011); and

x) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).

NOTE 3 – CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010	January 1, 2010
Cash at bank	$ 72,346	$ 188,741	$ 31,743
Guaranteed investment certificates	-	-	400,432
Money market mutual funds	326,363	521,319	487,880
	$ 398,709	$ 710,060	$ 920,055

NOTE 4 –RECEIVABLES

	December 31, 2011	December 31, 2010	January 1, 2010
Sales tax receivable	$ 21,304	$ 3,530	$ 1,260
Mineral exploration tax credit	-	-	8,480
	$ 21,304	$ 3,530	$ 9,740

NOTE 5 – EQUIPMENT AND INTANGIBLE ASSETS

	Website	Licences	Equipment	Total
Cost:				
At January 1, 2010	$ -	$ -	$ 659	$ 659
Additions	74,799	-	481	75,280
At December 31, 2010	74,799	-	1,140	75,939
Additions	11,180	126,175	-	137,355
Disposals	-	-	-	-
At December 31, 2011	85,979	126,175	1,140	213,294
Depreciation and Impairment				
At January 1, 2010	-	-	544	544
Depreciation	-	-	187	187
At December 31, 2010	-	-	731	731
Depreciation	6,325	10,745	144	17,214
Impairment	79,654	115,430	-	195,084
At December 31, 2011	85,979	126,175	875	213,029
Net book value:				
At January 1, 2010	$ -	$ -	$ 115	$ 115
At December 31, 2010	$ 74,799	$ -	$ 409	$ 75,208
At December 31, 2011	**$ -**	**$ -**	**$ 265**	**$ 265**

The website is related to the Company's online learning business and became operational on August 18, 2011.

The Company has entered into 3 separate licensing agreements related to content used in the Company's online learning business. The licensed content includes an online learning system, a math facts fluency program and a spelling program. In all agreements, the Company was responsible for certain development costs, and pays a license fee. The agreements are each for 5 years and are non-exclusive. In conjunction with the agreement related to the online learning system, the Company during the year issued the owners of the licensor 500,000 common shares at a fair value of $2,500 and paid USD $100,000.

During the year ended December 31, 2011, the Company impaired the carrying value of the website and licenses in the amount of $195,084 as the carry value of these intangible assets is greater than the fair value of expected future cash flows from these intangible assets.

NOTE 6 - TRADE PAYABLES AND ACCRUED LIABILTIES

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 4,906	$ 1,912	$ 515
Accrued liabilities	10,500	15,156	14,575
	$ 15,406	$ 17,068	$ 15,090

NOTE 7 - SHARE CAPITAL

Authorized:
Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.

Issued:
At December 31, 2011 there were 22,850,000 issued and fully paid common shares (December 31, 2010 – 22,350,000).

Preferred Shares
The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

Share Issuances
During the year ended December 31, 2011 the Company issued 500,000 common shares at a fair value of $2,500 in conjunction with a licensing agreement (Note 5). The Company did not issue any shares during 2010.

Basic and diluted loss per share
The calculation of basic and diluted loss per share for the year ended December 31, 2011 was based on the loss attributable to common shareholders of $388,845 (2010 - $143,090) and the weighted average number of common shares outstanding of 22,476,027 (2010 – 22,350,000).

Stock Options
The Company has a stock option plan to grant options to employees, directors and consultants to acquire common shares, up to an amount equivalent to 10% of the outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less an applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

The changes in options during the years ended December 31, 2011 and the year ended December 31, 2010 are as follows:

	Year ended December 31, 2011		Year ended December 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	125,000	$ 0.10	125,000	$ 0.10
Options expired	125,000	0.10	-	-
Options outstanding, end of year	-	$ -	125,000	$ 0.10
Options exercisable, end of year	-	$ -	125,000	$ 0.10

Option Reserve

Option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

NOTE 8 – RELATED PARTY TRANSACTIONS

The following amounts are due to related parties:

	December 31, 2011	December 31, 2010	January 1, 2010
Company controlled by a director of the Company	$ 17,297	$ -	$ -
Directors of the Company	500	-	-
	$ 17,797	$ -	$ -

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The Company incurred the following transactions with a company that is controlled by a director of the Company.

	Years ended	
	December 31, 2011	December 31, 2010
Management and consulting fees	$ 144,223	$ -

NOTE 9 – INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	December 31, 2011	December 31, 2010
Loss before income taxes	$ (388,845)	$ (143,090)
Statutory tax rate	26.5%	28.5%
Expected tax recovery	(103,044)	(40,781)
Increase resulting from:		
Non deductible expenses	-	53
Impact of tax rate changes	5,885	5,006
Change in valuation allowance	98,271	35,722
Other	(1,112)	-
Income tax recovery	$ -	$ -

The Company's deferred income tax assets are estimated as follows:

	December 31, 2011	December 31, 2010
Mineral properties	$ 25,514	$ 25,514
Equipment	54,204	-
Non-capital losses available	318,222	274,154
Net potential deferred income tax asset	397,940	299,668
Less: valuation allowance	(397,940)	(299,668)
Net deferred income tax asset	$ -	$ -

NOTE 9 – INCOME TAXES (CONTINUED)

The Company has approximately $1,273,000 of non-capital losses which can be applied to reduce future taxable income, expiring as follows:

Year of Expiry		Amount
2014	$	7,000
2015		355,000
2026		142,000
2027		165,000
2028		168,000
2029		116,000
2030		143,000
2031		177,000
	$	1,273,000

In addition, the Company has Canadian exploration and development expenditures totalling approximately $102,000 which may be available to reduce future taxable income. The exploration and development expenditures can be carried forward indefinitely. During the year ended December 31, 2009, Canada Revenue Agency ("CRA") reassessed the Company's tax return for the year ended December 31, 2006 and granted a mining tax credit to the Company in the amount of $7,928. The mining tax credit was received during the year ended December 31, 2010.

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period, which is considered not likely and therefore a full valuation has been taken.

NOTE 10 – RISK MANAGEMENT

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

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents. The risk in cash and cash equivalents is managed through the use of major financial institutions which have high credit qualities as determined by rating agencies. The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government tax credits.

Foreign Exchange Risk
Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company operates both in Canada and the United States and therefore is exposed to foreign exchange risk arising from transactions denominated in U.S. dollars. The risk is determined to be minimal.

Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company' cash and short-term investments affected by changes in short term interest rates will be minimal.

NOTE 10 – RISK MANAGEMENT (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and short-term investments. As at December 31, 2011, the Company was holding cash of $72,346 and short-term investments of $326,363.

NOTE 11 – NON-CASH TRANSACTIONS

During the year ended December 31, 2011, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Years ended	
	December 31, 2011	December 31, 2010
Fair value of shares issued in conjunction with a licensing agreement	$ 2,500	$ -

NOTE 12 – CAPITAL MANAGEMENT

The Company manages its capital, consisting of cash and share capital, in a manner consistent with the risk characteristics of the assets it holds.

The Company's objectives when managing capital are:

a) to maintain a high degree of liquidity to allow the Company to pursue business opportunities expeditiously; and
b) to earn investment returns while managing risk.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential investments and acquisitions. Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the year ended December 31, 2011.

NOTE 13 – TRANSITION TO IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS for the year ended December 31, 2011. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", January 1, 2010 has been considered to be the date of transition to IFRS by the Company (the "Transition Date"). Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

The Company applied the optional transition exemption to full retrospective application of IFRS 2 "Share-based Payment" by not applying the requirements to equity instruments that vested before the Transition Date, which have been accounted for in accordance with Canadian GAAP

In accordance with IFRS 1, an entity's estimates under IFRS at the Transition Date must be consistent with estimates made for the same date under previous Canadian GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

Except for the reclassification, only between equity accounts from contributed surplus, the Canadian GAAP term used for this account, to option reserve, the IFRS term for this account, the adoption of IFRS had no impact on the Company's financial position at January 1, 2010 and December 31, 2010 or its financial performance or cash flows for the year ended December 31, 2010.