# QUINSAM CAPITAL CORPORATION

## FINANCIAL STATEMENTS

## DECEMBER 31, 2010

DALE MATHESON
CARR-HILTON LABONTE LLP
DMCL CHARTERED ACCOUNTANTS

Partnership of:

Vancouver: Robert J. Burkart, Inc. | James F. Carr-Hilton Ltd. | Kenneth P. Chong Inc. | Alvin F. Dale Ltd. | Barry S. Hartley, Inc. | Reginald J. LaBonte Ltd. | Robert J. Matheson, Inc. | Rakesh I. Patel Inc. | F.M. Yada FCA Inc.
South Surrey: Michael K. Braun Inc. | Peter J. Donaldson, Inc.
Port Coquitlam: Wilfred A. Jacobson Inc. | G.D. Lee Inc. | Fraser G. Ross, Ltd. | Brian A. Shaw Inc.

## AUDITORS' REPORT

To the Shareholders of Quinsam Capital Corporation.

We have audited the accompanying financial statements of Quinsam Capital Corporation, which comprise the balance sheets as at December 31, 2010 and 2009, and the statements of operations, comprehensive loss and deficit 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 Canadian generally accepted accounting principles, 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Quinsam Capital Corporation as at December 31, 2010 and 2009 and the results of its operations, and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

*"DMCL"*

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 6, 2011

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**QUINSAM CAPITAL CORPORATION**

**BALANCE SHEETS**

| | | December 31, 2010 | | December 31, 2009 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **CURRENT** | | | | |
| Cash and cash equivalents | $ | 710,060 | $ | 920,055 |
| Other receivables (Note 5) | | 3,530 | | 9,740 |
| | | 713,590 | | 929,795 |
| **EQUIPMENT** (Note 3) | | 409 | | 115 |
| **WEBSITE DEVELOPMENT COSTS** (Note 3) | | 74,799 | | - |
| | $ | 788,798 | $ | 929,910 |
| **LIABILITIES** | | | | |
| **CURRENT** | | | | |
| Accounts payable and accrued liabilities | $ | 17,068 | $ | 15,090 |
| **SHAREHOLDERS' EQUITY** | | | | |
| **SHARE CAPITAL** (Note 4) | | 1,717,393 | | 1,717,393 |
| **CONTRIBUTED SURPLUS** (Note 4) | | 4,500 | | 4,500 |
| **DEFICIT** | | (950,163) | | (807,073) |
| | | 771,730 | | 914,820 |
| | $ | 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 OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT**

| | Year ended December 31, 2010 | Year ended December 31, 2009 |
|---|---|---|
| **REVENUES** | | |
| Interest Income | $ 5,654 | $ 6,381 |
| **EXPENSES** | | |
| Amortization | (187) | (198) |
| General and administrative | (143,074) | (135,387) |
| Loss on foreign exchange | (5,483) | - |
| Mining tax credit (Note 5) | - | 7,928 |
| Recovery of expenses | - | 12,551 |
| | (148,744) | (115,106) |
| **NET AND COMPREHENSIVE LOSS** | (143,090) | (108,725) |
| **DEFICIT, BEGINNING** | (807,073) | (698,348) |
| **DEFICIT, ENDING** | $ (950,163) | $ (807,073) |
| **WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED** | 22,350,000 | 22,350,000 |
| **NET LOSS PER SHARE – BASIC AND DILUTED** | $ (0.01) | $ (0.01) |

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

**QUINSAM CAPITAL CORPORATION**

**STATEMENTS OF CASH FLOWS**

| | | Year ended December 31, 2010 | | Year ended December 31, 2009 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Net loss | $ | (143,090) | $ | (108,725) |
| Items not involving cash: | | | | |
| Amortization | | 187 | | 198 |
| Recovery of expenses | | - | | (12,551) |
| Changes in non-cash working capital: | | | | |
| Other receivables | | 6,210 | | (8,251) |
| Accounts payable and accrued liabilities | | 1,978 | | 1,292 |
| Cash flows used in operating activities | | (134,715) | | (128,037) |
| **INVESTING ACTIVITIES** | | | | |
| Equipment | | (481) | | - |
| Website development costs | | (74,799) | | - |
| Cash flows used in investing activities | | (75,280) | | - |
| **DECREASE IN CASH AND CASH EQUIVALENTS** | | (209,995) | | (128,037) |
| **CASH AND CASH EQUIVALENTS, BEGINNING** | | 920,055 | | 1,048,092 |
| **CASH AND CASH EQUIVALENTS, ENDING** | $ | 710,060 | $ | 920,055 |

**SUPPLEMENTARY CASH FLOW INFORMATION**

| | | | | |
|---|---|---|---|---|
| Cash paid for: | | | | |
| Income taxes | $ | - | $ | - |
| Interest | $ | - | $ | - |
| Cash and cash equivalents is comprised of: | | | | |
| Cash | $ | 188,741 | $ | 31,743 |
| Guaranteed Investment Certificates | | - | | 400,432 |
| Mutual Funds | | 521,319 | | 487,880 |
| | $ | 710,060 | $ | 920,055 |

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 was previously in the business of acquisition and development of mineral property interests and other assets or businesses related to the resource industry. During the year ended December 31, 2010, the Company entered into an online learning business while it is still identifying opportunities in the merchant banking business.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**
The financial statements of the Company are presented in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars.

**Use of Estimates and Assumptions**
The preparation of 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, 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 estimation of future income tax rates. Financial results as determined by actual events could differ from those estimates.

**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 has made the following designations of its financial instruments: cash and cash equivalent as held for trading, receivables as loan and receivables, and accounts payable as other financial liabilities.

CICA Handbook Section 3862 "Financial Instruments-Disclosure" requires an entity to classify fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The levels and inputs which may be used to measure fair value are as follows:

1. Level 1- fair values are based on quoted prices (unadjusted) in active markets for identical assets and liabilities;
2. Level 2- fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
3. Level 3- applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Financial instruments classified as level 1 – quoted prices in the active market included cash and cash equivalents.

**Impairment of Long-lived Assets**
The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying value amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its recoverable value.

**Equipment**
Equipment is recorded at cost. Amortization is on a declining balance basis at 30% per annum.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Intangible Asset

Intangible asset relates to the website development costs. 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. 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 revise 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 using the declining basis at 20% per annum.

### Loss per Share

The Company uses the treasury stock method for the computation of loss per share. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments which assume that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate. Basic net loss per share has been calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is equal to the basic loss per share as the effect of dilutive instruments will be anti dilutive.

### Stock-based Compensation

The Company applies the fair value method to all grants of stock options. All stock options granted are accounted for as a capital transaction at the time of the grant and are reflected as contributed surplus in shareholders' equity. The fair value of options granted is estimated at the date of grant using the Black-Scholes option pricing model incorporating assumptions regarding risk-free interest rates, dividend yield, volatility factor of the expected market price of the Company's stock, and a weighted average expected life of the options. The estimated fair value of the options is recorded over the options' vesting period. Any consideration paid on amounts attributable to stock options is credited to share capital.

### Future Income Taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

### Recent Accounting Pronouncements

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards ("IFRS") over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The adoption of IFRS will require the Company to prepare its comparative figures for the year ended December 31, 2010 in accordance with IFRS. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Other accounting pronouncements issued by the CICA with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

**NOTE 3 – EQUIPMENT AND WEBSITE DEVELOPMENT COSTS**

| | December 31, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Website | $ 74,799 | $ - | $ 74,799 | $ 4,000 | $ 4,000 | $ - |
| Equipment | 1,140 | 731 | 409 | 659 | 544 | 115 |
| Total | $ 75,939 | $ 731 | $ 75,208 | $ 4, 659 | $ 4,544 | $ 115 |

The website is related to the Company's online learning business and was still under construction as of December 31, 2010.

**NOTE 4 - SHARE CAPITAL**

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

Common Shares Issued:

| | Number of Shares | Share Capital | Contributed Surplus | Total |
|---|---|---|---|---|
| Balance at December 31, 2008, 2009 and 2010 | 22,350,000 | $ 1,717,393 | $ 4,500 | $ 1,721,893 |

**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 years ended December 31, 2010 and 2009, the Company issued no common shares.

**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.

At December 31, 2010, the Company has outstanding and exercisable incentive stock options, enabling the holders to acquire common shares as follows:

| Number of options | Exercise Price | Expiry |
|---|---|---|
| 125,000 | $0.10 | December 19, 2011 |

## NOTE 4 - SHARE CAPITAL (CONTINUED)

A summary of the Company's stock options at December 31, 2010 is presented below:

| | Options Outstanding | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, December 31, 2008 | 875,000 | $ | 0.10 |
| Expired or Cancelled | (750,000) | | 0.10 |
| Balance, December 31, 2009 and 2010 | 125,000 | $ | 0.10 |

The Company did not grant any stock options during the years ended December 31, 2010 and 2009. The weighted average remaining contractual life of outstanding incentive stock options is 0.97 years at December 31, 2010. The weighted average exercise price of the options outstanding at December 31, 2010 is $0.10.

## NOTE 5 – 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:

| | | 2010 | | 2009 |
|---|---|---|---|---|
| Loss before income taxes | $ | 143,090 | $ | 108,725 |
| Statutory tax rate | | 28.5% | | 30% |
| Expected tax recovery | | (40,781) | | (32,618) |
| Increase resulting from: | | | | |
| Non deductible expenses | | 53 | | 59 |
| Impact of tax rate changes | | 5,006 | | 67,613 |
| Change in valuation allowance | | 35,722 | | (35,054) |
| Income tax recovery | $ | - | $ | - |

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

| | | 2010 | | 2009 |
|---|---|---|---|---|
| Mineral properties | $ | 25,514 | $ | 27,500 |
| Non-capital losses available | | 274,154 | | 236,446 |
| Net potential future income tax asset | | 299,668 | | 263,946 |
| Less: valuation allowance | | (299,668) | | (263,946) |
| Net future income tax asset | $ | - | $ | - |

## NOTE 5 – INCOME TAXES (CONTINUED)

The Company has approximately $1,096,000 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 |
| | $ | 1,096,000 |

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 future income tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future 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 future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future 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 6 – 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.

*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 6 – 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, 2010, the Company was holding cash of $188,741 and short-term investments of $521,319.

## NOTE 7 – 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, 2010.