RAZORE ROCK RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2011 AND 2010

Wasserman Ramsay

Chartered Accountants

3601 Hwy 7 East, Suite 1008, Markham, Ontario L3R 0M3
Tel. 905-948-8637 Fax 905.948.8638
email: wram@wassermanramsay.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Razore Rock Resources Inc.:

We have audited the accompanying financial statements of Razore Rock Resources Inc., which comprises of the balance sheets as at April 30, 2011 and 2010 and the statements of loss and comprehensive loss, 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 audits 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 this 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 we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Razore Rock Resources Inc. as at April 30, 2011 and 2010 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Wasserman Ramsay

Markham, Ontario
August 26, 2011

Chartered Accountants
Licensed Public Accountants

RAZORE ROCK RESOURCES INC.

(Incorporated under the Laws of the Province of Ontario)

CONSOLIDATED BALANCE SHEETS - APRIL 30, 2011 AND 2010

	2011	2010
ASSETS		
Current:		
Cash and cash equivalents	$ 92,593	$ 1,016
Cash and cash equivalents - restricted *(Note 10)*	36,400	-
G.S.T. receivable	18,151	8,879
Prepaid expenses	50,800	9,600
	197,944	19,495
Mining Claims *(Note 3)*	40,448	65,593
Investments *(Note 5)*	4,321	8,100
	$ 242,713	$ 93,188
LIABILITIES		
Current:		
Accounts payable and accrued liabilities *(Note 7)*	$ 53,180	$ 35,429
Minority interest	58,930	59,224
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Capital stock *(Note 6)*	1,133,694	914,144
Contributed surplus *(Note 9)*	13,750	12,500
Accumulated other comprehensive income	(22,680)	(18,901)
Deficit *(Page 4)*	(994,161)	(909,208)
	130,603	(1,465)
	$ 242,713	$ 93,188

Nature of Operation and Going Concern - Note 1

Approved on behalf of the board:

"William R. Johnstone"	*"Michael Wilson"*
William R. Johnstone, director	Michael Wilson, director

The accompanying notes form an integral part of these consolidated financial statements

RAZORE ROCK RESOURCES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED APRIL 30, 2011 AND 2010

	2011	2010
Expenses:		
General administration	$ 20,990	$ 3,773
Professional fees *(Note 7)*	73,357	32,462
Net loss before undernoted items	(94,347)	(36,235)
Gain on sale of marketable securities	-	1,910
Minority interest in (income) loss	294	-
Net loss for the year before income tax	(94,053)	(34,325)
Future income tax	(9,100)	-
Net loss for the year	$ (84,953)	$ (34,325)
Net loss per share basic and diluted	$ (0.01)	$ (0.01)
Weighted average number of shares basic and diluted	6,635,060	5,325,073

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED APRIL 30, 2011 AND 2010

	2011	2010
Net loss for the period	$ (84,953)	$ (34,325)
Other comprehensive income, net of tax:		
Change in unrealized gains and losses on available-for-sale financial assets	(3,779)	2,325
Comprehensive loss	$ (88,732)	$ (32,000)

The accompanying notes form an integral part of these consolidated financial statements

RAZORE ROCK RESOURCES INC.

CONSOLIDATED STATEMENTS OF DEFICIT

FOR THE YEARS ENDED APRIL 30, 2011 AND 2010

	2011	2010
Deficit, beginning of year	$ (909,208)	$ (874,883)
Net loss for the year	(84,953)	(34,325)
Deficit, end of year	$ (994,161)	$ (909,208)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30, 2011 AND 2010

	2011	2010
Cash was provided by (used in) the following activities:		
Operations:		
Net loss for the year	$ (94,053)	$ (34,325)
Items not requiring an outlay of cash:		
Gain on sale of investments	-	(1,910)
Minority interest in income	(294)	-
Net change in non-cash working capital balances related to operations *(Note 8)*	(4,221)	18,031
	(98,568)	(18,204)
Investments:		
Proceeds from sale of marketable securities *(Note 5)*	-	2,364
Expenditures on mining claims	25,145	(9,599)
	25,145	(7,235)
Financing:		
Capital stock issued for cash	201,400	3,350
Restricted cash	(36,400)	-
	165,000	3,350
Net change in cash and cash equivalents during the year	91,577	(22,089)
Cash and cash equivalents, beginning of year	1,016	23,105
Cash and cash equivalents, end of year	$ 92,593	$ 1,016

The accompanying notes form an integral part of these consolidated financial statements

RAZORE ROCK RESOURCES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2011 AND 2010

1. Nature of Operations and Going Concern:

The Company is a public company which is currently listed on CNSX. At April 30, 2011 the Company has working capital in the amount of $144,764 (2010 - working capital deficiency of $25,534). The Company presently has no active business. The ability of the Company to realize on its assets and discharge its liabilities as they come due is dependent on the ability to generate cash flow from its investments or secure other forms of financing until it has successfully entered into an active business which generates a positive cash flow.

2. Summary of significant accounting policies:

The financial statements of Razore Rock Resources Inc. [the "Company"] have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

(a) Basis of presentation:

These consolidated financial statements, for the years ended April 30, 2011 and 2010, include the accounts of the Company's 84% owned subsidiary, Arctic Gold and Platinum Inc and the Company's 67% owned subsidiary Arctic Gold Corporation. All intercompany transactions and balances have been eliminated on consolidation.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash and short-term investments which are highly liquid and have an initial term of less then 90 days.

(c) Mining Claims:

The acquisition costs of mining properties together with direct exploration, development and administration expenditures thereon, are deferred in the accounts with the intention that the deferred expenditures and the cost of the claims and properties be amortized by charges against income from any future mining operations. If the claims are allowed to lapse or the properties are abandoned, the cost of the mining claims and all associated exploration and development expenditures are written off.
Upon reaching commercial production, these costs are to be amortized over the productive life of the mine based on the estimates of available reserves.

(d) Stock-based compensation plan:

The CICA Handbook, Section 3870, establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments for goods and or services. The Section requires that awards of stock be measured at fair value. The Company presently has no stock options outstanding.

(e) Earnings per share:

The Company has adopted the recommendations of the CICA Handbook section 3500, Earnings per Share ("EPS"). The section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. The new recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS.

(f) Long-lived assets:

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

2. Summary of significant accounting policies (continued):

(g) Use of estimates:

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

(h) Financial Instruments – Recognition and Measurement

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. All derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date.

Handbook Section 3862 and 3863 replaces Handbook s.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 risk arising from financial instruments and how the entity manages those risks.

(i) Comprehensive Income

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available-for-sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income.

(j) Hedges

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG-13 "Hedging Relationships" and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company currently does not have any instruments that are covered in this standard.

(k) Accounting Changes

The Company has adopted revised CICA Section 1506 “Accounting Changes”, which requires that: a) a voluntary change in accounting policies can be made if, and only if, the changes result in more reliable and relevant information; b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change; and c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting policies since the adoption of this revised standard.

(l) Capital Disclosures

Handbook Section 1535 specifies the disclosures 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.

New accounting pronouncements not yet adopted:

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") from Canadian Generally Accepted Accounting Principles ("GAAP") will be required for publicly accountable enterprises' interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The AcSB issued the "omnibus" exposure draft of IFRS with comments due by July 31, 2008, wherein early adoption by Canadian entities is also permitted. The eventual changeover to IFRS represents a change 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.

(ii) Business combinations.

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

(iii) Non-controlling interests

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

(iv) Consolidated financial statements

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

3. Mining claims:

a) By agreement dated October 27, 2005 and amended November 30, 2006 and November 14, 2007, the Company acquired, from a party related to a shareholder, a 100% interest, subject to a 3% Net Smelter Returns Royalty ("NSR") in favour of the Vendor, in 4 mining claim blocks in Sourdough Bay and Mikanagan Faults Area, Flin Flon District, Manitoba. Consideration for the acquisition of this property consists of exploration payments in the amount of $25,000 (or cash payments in lieu of work of an equivalent value) and the issuance of 100,000 common shares of the Company.

The Company has the right to purchase one-half of the NSR from the Vendor for $750,000.

b) The Company acquired an additional mining claim in Sourdough Bay and Mikanagan Faults Area, Flin Flon District, Manitoba, contiguous to its existing claims, from an individual who is a shareholder and former director. Under the terms of the agreement the Company issued 100,000 common shares and reimbursed $945 in staking costs to this individual. This related party retained a 2% Net Smelter Returns Royalty in the claim.

4. Capital Management:

The Company's policy is to attain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risks characteristic of the underlying resource assets. As a junior resource exploration company, the Company considers its capital structure to be comprised of working capital only. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected expenditure levels.

The Company has not paid or declared any dividends since the date of its incorporation, nor are any dividends contemplated in the foreseeable future.

The Company does not have any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the period.

5. Investments:

The Company had investments in Aurcrest Gold Corp. (formerly - Tribute Minerals Inc.) and Gastar Exploration Ltd. ("Gastar"). During the prior year the Company sold all of its shares in Gastar for proceeds of $2,364 resulting in a gain of $1,910.

	2011	2010
90,000 (2010 - 90,000) shares of Aurcrest Gold Corp.	$ 4,321	$ 8,100

The fair market value of its investment at year end is approximately $4,321 (2010 - $8,100). Under the provisions of the CICA Handbook section on Financial Instruments the above noted investments have been adjusted to fair market value resulting in an comprehensive loss in the amount of $3,779 (2010 - $2,325 in comprehensive income) which has been reflected in other comprehensive income.

6. Capital stock:

Authorized:

Unlimited common shares

Capital stock:

	2011	2010
Common shares (see below)	$ 1,126,194	$ 912,894
Warrants	7,500	1,250
Balance April 30	$ 1,133,694	$ 914,144

Issued common shares:

	# shares	$ value
Balance May 1, 2009	5,321,769	$ 909,544
Issued private placement	67,000	3,350
Balance April 30, 2010	5,388,769	$ 912,894
Issued private placements	3,300,000	157,500
Issued private placements - Flow-through shares	519,999	36,400
Issued for debt settlement	500,000	28,500
Less: share issue costs related to renunciation of CEE		(9,100)
Balance April 30, 2011	9,708,768	$ 1,126,194

Issued warrants:

	# warrants	$ value
Balance May 1, 2009	2,200,000	$ 13,750
Expired unexercised	(2,000,000)	(12,500)
Issued private placement	67,000	-
Balance April 30, 2010	267,000	$ 1,250
Issued private placements	3,559,999	7,200
Issued debt settlement agreement	150,000	300
Expired unexercised	(200,000)	(1,250)
Balance April 30, 2011	3,776,999	$ 7,500

In the current fiscal year the Company completed a private placement of 3,300,000 working capital units at a price of $0.05 per unit for gross proceeds of $165,000 with each unit consisting of one common share and one common share purchase warrant. Each warrant is exercisable into a common share at a price of $0.10 until the earlier of: (i) the date which is eighteen (18) months following the Closing Date; and (ii) in the event that the closing price of the Common Shares is at least $0.20 for twenty (20) consecutive trading days, and the 20th trading day (the "Final Trading Day") is at least four (4) months from the Closing Date, the date which is thirty (30) days from the Final Trading Day (the "Trigger Date"). The Company also completed a private placement offering of 519,999 flow through units at a price of $0.07 per unit for gross proceeds of $36,400 which each unit consisting of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share under the same terms as the working capital unit offering. The warrants issued in these offerings have been valued at $7,200 using a Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, risk free interest rate 1.19%, expected volatility of 55% and an expected life of 18 months.

During the year the Company issued 350,000 common shares at $0.06 per share for $21,000 in total to settle debt with a party related to a director. In addition, the Company issued 150,000 units to settle debt in the amount of $7,500. Each unit consisted of one common share and one common share purchase warrant with each warrant being exercisable into one common share at a price of $0.10 per share until the earlier of July 25, 2012 and the Trigger Date. The warrants issued have been value at $300 using the same assumptions as noted above for the private placements.

6. Capital stock (continued):

During the prior year the Company had a private placement for 67,000 units at $0.05 per unit for gross proceeds of $3,350. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into a further common share for $0.10 per share until expiry on April 12, 2012. The value of the warrants was calculated as $330, which management considered to be an immaterial amount. The value of the warrants was determined using a Black-Scholes option pricing model with the following weighted average assumptions; dividend yield of 0%, expected volatility of 55%, risk-free rate of interest of 2.25% and expected life of 24 months.

Options:

The Company has no outstanding options at April 30, 2011 and 2010.

Warrants:

The following table summarizes information about common share purchase warrants outstanding at April 30, 2011 and 2010:

	Warrants outstanding and exercisable	Weighted average exercise price
Outstanding May 1, 2009	2,267,000	$ 0.10
Expired	(2,000,000)	0.10
Outstanding April 30,, 2010	267,000	0.10
Issued - private placements	3,559,999	0.10
Issued - debt settlement	150,000	0.10
Expired	(200,000)	0.10
Outstanding April 30, 2011	3,776,999	$ 0.10

The following table summarizes information about the warrants outstanding at April 30, 2011

Weighted. avge. Exercise Price	Warrants outstanding and exercisable	Whtd. avge. remaining contractual life in years
$ 0.10	67,000	0.95
$ 0.10	3,709,999	1.24
	3,776,999	1.20

The following table summarizes information about the warrants outstanding at April 30, 2010

Weighted. avge. Exercise Price	Warrants outstanding and exercisable	Whtd. avge. remaining contractual life in years
$ 0.10	200,000	-
$ 0.10	67,000	1.95
	267,000	1.95

7. Related party transactions and balances:

Legal fees in the amount of $62,382 (2010- $22,462) were charged by a legal firm in which one of the Company's directors is a partner. Included in accounts payable at year end is $42,669 (2010 - $14,227) outstanding to this firm.

All of the Company's interests in mining claims as disclosed in Note 3 were acquired from related parties.

For the private placements that closed during the year, 600,000 working capital units were purchased by a party related to a director and 142,858 Flow-through units were subscribed to by an individual who is a director of the Company. In addition, the Company issued 350,000 common shares to settle debt of $21, 000 with a party related to a director.

Related party transactions are recorded at exchange amounts which approximates fair value.

8. Supplemental cash flow information:

Net change in non-cash working capital:

	2011	2010
G.S.T receivable	$ (9,272)	$ (1,107)
Accounts payable and accrued liabilities	46,251	19,138
Prepaids	(41,200)	-
	$ (4,221)	$ 18,031

Non-cash investing and financing activities:

	2011	2010
Future income tax liability recognized as a result of renunciation of CEE	$ 9,100	$ -

9. Contributed Surplus:

Balance, May 1, 2009	$ -
Transferred on expiration of warrants	12,500
Balance, April 30, 2010	12,500
Transferred on expiration of warrants	1,250
Balance, April 30, 2011	$ 13,750

10. Restricted cash - Flow-Through funds

During the current year, the Company raised $36,400 through the issuance of 519,999 shares designated as flow-through shares. One of the conditions of issuing flow-through shares is that the Company is required to retain the gross proceeds for the exclusive purpose of paying for qualified exploration and development expenditures associated with its resource mineral properties.

The Company is obligated to spend $36,400 on Canadian Exploration Expenditures ("CEE") by no later than December 31, 2011.

11. Income tax:

The Company has available approximately $328,682 (2010 - $234,675) in non-capital loss carry-forwards which can be used to reduce the amount of tax payable in future years. The potential benefit of these losses has not been recognized in these financial statements and will expire if unused as follows:

2014	$ 39,825
2015	12,635
2026	17,525
2027	13,280
2028	74,640
2029	41,150
2030	35,280
2031	94,347
	$ 328,682

In addition to the above noted-loss carryforwards, the Company has available approximately $413,000 in exploration expenditures which may be deducted from taxable income without expiry. The benefit of these amounts has not been recognized in these financial statements.

11. Income tax (continued):

The Company's effective corporate tax rate varies from the statutory rate of tax in Canada due to the following factors:

	2011	2010
Statutory tax rate	31.00 %	32.50 %
Valuation allowance	(21.30)	(32.50)
Effective corporate tax rate	9.70 %	- %

The Company has the following future income tax assets:

	2011	2010
Non capital losses	$ 82,150	$ 68,050
Investments and Canadian exploration and development expenditures	98,860	107,900
Valuation allowance	(181,010)	(175,950)
Benefit recognized in the financial statements	$ -	$ -

During the current year, as a result of the renunciation by the Company of $36,400 in CEE the company recognized a future tax liability in the amount of $9,100 which was charged to share issue costs as required under Canadian GAAP. The Company offset this liability by recognizing loss carryforwards.

12. Financial Risk Management:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash, short term investments, G.S.T. and other receivables and staking security deposits. The Company’s cash and short term investments is held through large Canadian Financial Institutions. A large part of other receivables pertains to GST refunds with the Canada Revenue Agency. Staking security deposits are held by the Government of Manitoba. The Company has no significant concentration of credit risk arising from operations. Management believes the risk of loss to be remote.

Fair value of financial instruments

The book value of cash and cash equivalents, receivables, and accounts payable and accrued liabilities all approximate their fair values at April 30, 2011. The Company's investment in marketable securities have been marked to market in accordance with the Company's accounting policies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's does not have any interest bearing assets or liabilities at the present time and therefore is not directly exposed to any interest rate risk.

Foreign currency rate risk

The Company's functional and reporting currency is the Canadian dollar. The Company does not currently have significant transactions denominated in foreign currencies and therefore is not exposed to any significant foreign currency risk.

12. Financial Risk Management (continued):

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk. The Company currently does not have any financial instruments that would be impacted by changes in market prices.

13. Subsequent events:

Subsequent to year end the Company issued 550,000 stock options to directors, exercisable into common shares $0.15 per share for a period of 5 years expiring on May 6, 2016.