ACME RESOURCES CORP.

INTERIM CONDENSED FINANCIAL STATEMENTS
(Unaudited)

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2012 AND 2011

Notice to Reader – From ACME Resources Corp.

The unaudited interim condensed financial statements of ACME Resources Corp. (the "Company" or "ACME") including the accompanying statements of financial position as at March 31, 2012 and September 30, 2011 and the statements of comprehensive loss the three and six months ended March 31, 2012 and 2011 and the statements of changes in equity and cash flows for the six months ended March 31, 2012 and 2011 are the responsibility of the Company's management. The unaudited interim condensed financial statements have been prepared by management and include the selection of appropriate accounting policies, judgments and estimates necessary to prepare these unaudited interim condensed financial statements in accordance with International Financial Reporting Standards for interim financial statements.

ACME Resources Corp. discloses that its auditors have not reviewed the unaudited interim condensed financial statements for the period ended March 31, 2012.

ACME RESOURCES CORP.

INTERIM CONDENSED FINANCIAL STATEMENTS
(Unaudited)

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2012 AND 2011

I N D E X

ACME RESOURCES CORP.

STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	March 31, 2012	September 30, 2011 (Note 4)
ASSETS		
CURRENT		
Cash	$ 78,599	$ 186,127
Accounts receivable	32,596	14,551
Deferred transaction costs (note 11)	76,375	21,356
	$ 187,570	$ 222,034
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 40,873	$ 53,303
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 5 (a))	260,804	260,804
RESERVE FOR SHARE-BASED PAYMENTS (note 5)	51,592	65,787
DEFICIT	(165,699)	(157,860)
	146,697	168,731
	$ 187,570	$ 222,034

NATURE OF OPERATIONS AND GOING CONCERN (note 1)
PROPOSED QUALIFYING TRANSACTION AND EVENTS AFTER THE REPORTING PERIOD (note 11)

Approved by the Board:

(Signed) "*Paul Ankcorn*", Director

(Signed) "*Brian Cloney*", Director

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

ACME RESOURCES CORP.

STATEMENTS OF COMRPEHENSIVE LOSS
(Unaudited)

	Three months ended		Six months ended	
	March 31, 2012	March 31, 2011 (Note 4)	March 31, 2012	March 31, 2011 (Note 4)
EXPENSES				
Bank charges	$ 58	$ 28	$ 100	$ 205
Corporate development	2,353	5,099	5,382	9,732
Regulatory and filing fees	6,165	-	8,199	576
Professional fees	8,353	7,222	8,353	12,727
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ 16,929	$ 12,349	$ 22,034	$ 23,240
Loss per share:				
Basic and diluted loss per share	$ 0.013	$ 0.009	$ 0.016	$ 0.017
Weighted average number of common share outstanding	1,351,950	1,351,950	1,351,950	1,351,950

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

ACME RESOURCES CORP.

STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Share capital		Reserve for share-based payments	Accumulated deficit	Total
	Shares	Amount			
Balance, October 1, 2010	2,851,950	$ 260,804	$ 65,787	($ 90,140)	$ 236,451
Net loss for the period	-	-	-	(23,240)	(23,240)
Balance, March 31, 2011	2,851,950	$ 260,804	$ 65,787	($ 113,380)	$ 213,211
Balance, October 1, 2011	2,851,950	$ 260,804	$ 65,787	($ 157,860)	$ 168,731
Fair value of expired agent's options	-	-	(14,195)	14,195	-
Net loss for the period	-	-	-	(22,034)	(22,034)
Balance, March 31, 2012	2,851,950	$ 260,804	$ 51,592	($ 165,699)	$ 146,697

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

ACME RESOURCES CORP.

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended March 31, 2012	Six months ended March 31, 2011 (note 4)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss for the period	($ 22,034)	($ 23,240)
Adjust for changes in working capital balances:		
Increase in accounts receivable	(18,045)	(5,704)
Increase in deferred transaction costs	(55,019)	-
Decrease in accounts payable and accrued liabilities	(12,430)	(10,051)
Cash (used in) operations	(107,528)	(38,995)
DECREASE IN CASH POSITION	(107,528)	(38,995)
CASH POSITION AT BEGINNING OF PERIOD	186,127	241,887
CASH AT END OF PERIOD	$ 78,599	$ 202,892

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

1. NATURE OF OPERATIONS AND GOING CONCERN:

ACME Resources Corp. (the “Company”) was incorporated by articles of incorporation under *the Business Corporations Act* of Ontario on February 27, 2008. On January 28, 2010, the Company received final receipts for a prospectus and thereafter trading on the TSX Venture Exchange (“TSXV”) (Tier 2) as a capital pool company under the symbol ACY.P.

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of a business, or an interest therein. Such acquisition (a “Qualifying Transaction”) will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm’s-length transaction, of the majority of the minority shareholders.

The Company was not able to complete a Qualifying Transaction within the timeframe prescribed by the TSXV, and as such the Company’s listing has been transferred to the NEX, a separate trading board of the TSXV. The transfer to the NEX was effective on May 2, 2012. Trading in the Company’s shares will remain suspended pending completion of a Qualifying Transition. This action resulted in the cancellation of approximately 750,000 common shares of the Company.

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. There is, however, substantial doubt whether the Company will be able to complete a Qualifying Transaction.

2. BASIS OF PRESENTATION:

In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in the interim condensed financial statements for the three months ended December 31, 2011. In these interim condensed financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS. Canadian GAAP differs in some areas from IFRS. The disclosures concerning the transition from Canadian GAAP to IFRS are included in note 4.

Refer to the condensed interim financial statements for the three months ended December 31, 2011 (unaudited) for a summary of significant accounting policies.

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*, and IFRS 1 *First Time Adoption of International Financial Reporting Standards*. The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company’s condensed interim financial statements for the period ended December 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's statement of financial position as at March 31, 2011 and comprehensive loss for the three and six months ended March 31, 2011, including the nature and effect of significant changes in accounting policies from those used in the Company’s financial statements for the year ended September 30, 2011.

2. BASIS OF PRESENTATION (continued):

Statement of Compliance (continued)

The accounting policies applied in these condensed interim financial statements are based on IFRS effective for the year ended September 30, 2012, as issued and outstanding as of May 30, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending September 30, 2012 could result in restatement of these condensed interim financial statements, including transition adjustments recognized on changeover to IFRS.

The condensed interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended September 30, 2011, and the Company's condensed interim financial statements for the quarter ended December 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

Basis of Measurement

The interim condensed financial statements have been prepared on a historical cost basis.

Presentation and functional Currency

These interim condensed financial statements are presented in Canadian dollars, which is the presentation and functional currency of the Company.

Use of Estimates and Judgement

The preparation of interim condensed financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the interim condensed financial statements and related notes to the interim condensed financial statements. Actual results may differ from those estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Significant estimates used in the preparation of these interim condensed financial statements include, but are not limited to, deferred income tax valuation reserves, the recoverability of accounts receivable, the amounts recorded for related party transactions, the recording of liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditures during the reporting period. Actual results could differ from management's best estimates.

3. FUTURE ACCOUNTING CHANGES:

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2011.

3. FUTURE ACCOUNTING CHANGES (continued):

For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

IAS 1 *Presentation of Financial Statements* was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. This standard is effective for annual periods beginning on or after July 1, 2012.

IFRS 7 *Financial instrument – disclosure,* was amended to require additional disclosure in respect of risk exposures arising from transferred financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. Standard was further amended to provide guideline on the eligibility criteria for offsetting assets and liabilities as a single net amount on the statement of financial position. This amendment is effective for annual periods beginning on or after January 1, 2013.

IFRS 9 *Financial Instruments -- Classification and Measurement* ("IFRS 9") was issued November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning October 1, 2013, with early adoption permitted. The Company has not yet determined the potential impact of the amendments to IFRS 9 on its financial statements.

IFRS 10 *Consolidated financial statements*, requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC12 *Consolidation—special purpose entities* and parts of IAS 27 *Consolidated and separate financial statements*. This standard is effective for all annual periods beginning on or after January 1, 2013.

IFRS 11 *Joint arrangements*, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in joint ventures*, and SIC 13, *Jointly controlled entities—non-monetary contributions by venturers*. This standard is effective for all annual periods beginning on or after January 1, 2013.

IFRS 12 *Disclosure of interests in other entities* establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for all annual periods beginning on or after January 1, 2013.

3. FUTURE ACCOUNTING CHANGES (continued):

IFRS 13 *Fair value measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for all annual periods beginning on or after January 1, 2013.

IAS 32 *Financial instrument: presentation* was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014

4. TRANSITION TO IFRS:

The Company's financial statements for the year ending September 30, 2012 will be the first annual financial statements that comply with IFRS and these condensed interim financial statements were prepared as described in note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2012 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was October 1, 2010 (the "Transition Date"). However, IFRS 1 provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Initial elections upon adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption Options

Share-based payments - IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

IFRS Mandatory Exceptions

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

4. TRANSITION TO IFRS (continued):

Reconciliations of Canadian GAAP to IFRS

The reconciliations between the previously reported financial results under Canadian GAAP and the current reported financial results under IFRS are provided as follows:

- Reconciliation of the statement of financial position as at March 31, 2011;
- Reconciliation of the statement of comprehensive loss for the three months ended March 31, 2011; and
- Reconciliation of the statement of comprehensive loss for the six months ended March 31, 2011.

No reconciliation is required for the statement of cash flows as there are no significant adjustments to the net cash flows.

ACME RESOURCES CORP.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
(Unaudited)

FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011

4. TRANSITION TO IFRS (continued):

The following is a reconciliation of the statement of financial position as at March 31, 2011:

	Canadian GAAP	IFRS Adjustments	Notes	IFRS
ASSETS				
CURRENT				
Cash	$ 202,892	$ -		$ 202,892
Accounts receivable	12,151	-		12,151
	$ 215,043	$ -		$ 215,043
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$ 1,832	$ -		$ 1,832
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	260,804	-		260,804
CONTRIBUTED SURPLUS	65,787	(65,787)	b)	-
RESERVE FOR SHARE-BASED PAYMENTS	-	65,787	b)	65,787
DEFICIT	(113,380)	-		(113,380)
	213,211	-		213,211
	$ 215,043	$ -		$ 215,043

ACME RESOURCES CORP.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
(Unaudited)

FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011

4. TRANSITION TO IFRS (continued):

The following is a reconciliation of the statement of comprehensive loss for the three months ended March 31, 2011:

	Canadian GAAP	IFRS Adjustments	Notes	IFRS
EXPENSES				
Bank charges	$ 28	$ -		$ 28
Corporate development	5,099	-		5,099
Professional fees	7,222	-		7,222
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	$ 12,349	$ -		$ 12,349

The following is a reconciliation of the statement of comprehensive loss for the six months ended March 31, 2011:

	Canadian GAAP	IFRS Adjustments	Notes	IFRS
EXPENSES				
Bank charges	$ 205	$ -		$ 205
Regulatory and filing fees	576			576
Corporate development	9,732	-		9,732
Professional fees	12,727	-		12,727
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	$ 23,240	$ -		$ 23,240

4. TRANSITION TO IFRS (continued):

Changes in accounting policies:

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

a) Share-based compensation

IFRS 2 is effective for the Company as of October 1, 2010 and is applicable to stock options and grants that are unvested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Stock options and share grants prior to November 7, 2002 are not taken into account for IFRS 2;
- Stock options and share grants subsequent to November 7, 2002 are only taken into account if they have not vested as at October 1, 2010; and,
- From October 1, 2010, all stock options, share grants and other share-based payments will be expensed in accordance with the policy as stated in note 3 of the interim condensed financial statements for the three months ended December 31, 2011.

Forfeitures

Canadian GAAP - Forfeitures of awards are recognized as they occur

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. No material difference was determined and consequently no adjustment was made upon adoption of IFRS.

Expiration of share-based compensation

Canadian GAAP **–** Under Canadian GAAP, the Company’s policy was to leave the value recorded for expired, unexercised stock options to contributed surplus.

IFRS **–** The Company has changed its policy regarding expired share-based compensation whereby amounts recorded for expired, unexercised stock options and warrants are transferred to retained earnings/(deficit) on expiry. Upon adoption of IFRS, there was no impact on the Company’s financial position.

b) Reserves

Canadian GAAP **–** Under Canadian GAAP – Prior to 2011, the Company recorded the value of share based payments issued to contributed surplus.

4. TRANSITION TO IFRS (continued):

Changes in accounting policies (continued):

b) Reserves (continued)

IFRS **–** IFRS requires an entity to present for each component of equity, reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants", "Reserves for share based payments" and any other component of equity. Upon adoption of IFRS, the fair value of stock options previously recorded to contributed surplus under Canadian GAAP was reclassified to “Reserve for Share-Based Payments”.

c) Impairment of (non-financial) assets

Canadian GAAP **–** Canadian GAAP requires a write-down to estimated value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS **–** IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows.

The Company’s accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no significant impact on the Company’s unaudited condensed interim consolidated financial statements.

d) Presentation

The presentation in accordance with IFRS differs from the presentation in accordance with Canadian GAAP. Please refer to the interim consolidated statements of financial position and interim consolidated statements of comprehensive loss, and changes in equity for the impact of the specific IFRS changes noted above.

5. SHARE CAPITAL:

a) Common shares:

Authorized:

Unlimited number of common shares

Issued and outstanding:

	Shares	Amount
Balance, September 30, 2010, 2011 and March 31, 2012	2,851,950	$ 260,804

5. SHARE CAPITAL (continued):

a) Common shares (continued):

Initial Public Offering

On January 28, 2010, the Company completed its Initial Public Offering ("IPO") through its agent, Integral Wealth Securities Limited, of 1,351,950 common shares for gross proceeds of $270,390. The Company paid the agent a cash commission of $27,039 and a corporate finance fee of $10,000, reimbursed the agent for legal fees and other direct expenses of $10,150, and issued Agents' options to acquire up to 135,195 common shares at $0.20 per share exercisable until the close of business on January 28, 2012.

Escrowed Shares

During the period ended September 30, 2008, the Company issued 1,500,000 common shares at a price of $0.10 per share for total proceeds of $150,000 received in cash. In accordance with the requirement of the Exchange these common shares are held in escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow following issuance of the Final Exchange Bulletin by the Exchange as to completion of the Qualifying Transaction as defined by Exchange policies, and 15% will be released every six months following the initial release over a period of thirty six months, unless otherwise permitted by the Exchange.

Refer to note 11 for additional common share information.

b) Stock options and stock-based compensation:

The Company adopted a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V.

Any common shares acquired pursuant to the exercise of options prior to the completion of the qualifying transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

The following summarizes the stock options that have been granted, exercised, forfeited or cancelled during the year ended September 30, 2011 and the six month period ended March 31, 2012:

	Number of options		Weighted average exercise price
Balance, October 1, 2010	285,194	$	0.20
Granted	-		-
Forfeited or cancelled	-		-
Exercised	-		-
Balance, September 30, 2011 and March 31, 2012	285,194	$	0.20

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
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FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011

5. SHARE CAPITAL (continued):

b) Stock options and stock-based compensation (continued):

The following table summarizes the options outstanding and exercisable at March 31, 2012:

Number of Options	Exercise Price	Expiry Date
285,194	0.20	January 28, 2020

During the year ended September 30, 2010, the Company granted 285,194 fully vested stock options to directors and officers. The estimated fair value of these options was $0.18 per option. The estimated total fair value of vested stock options amounted to $51,592.

The following assumptions were used for the Black-Scholes valuation of the stock options:

Risk-free interest rate	3.33%
Expected life	10 years
Price volatility	100%
Dividend yield	0.00%

c) Agent's options:

Agent's option transactions and the number of agent's options outstanding are summarized as follows:

	Number of Agent's options	Weighted average exercise price
Balance, October 1, 2010 and September 30, 2011	135,195	$ 0.20
Granted	-	-
Forfeited or cancelled	(135,195)	0.20
Exercised	-	-
Balance, March 31, 2012	-	$ -

In connection with the IPO, the Company granted to its agent non-transferable options to purchase up to 135,195 common shares at $0.20 per share; these options expire January 28, 2012 and they have been valued at $14,195 using the Black-Scholes option pricing model. During the six months ended March 31, 2012 these options expired without exercise and accordingly the fair value amounting to $14,195 was transferred from reserve for share-based payments to deficit on expiry.

6. INCOME TAXES:

At March 31, 2012, the Company has approximately $200,000 in non-capital losses carry forward for which no benefit has been recognized in the accounts. If these losses are not utilized, they will expire through 2032.

7. CAPITAL MANAGEMENT:

Capital is comprised of the Company's shareholders' equity, which includes share capital, reserve for share-based payments and deficit. As at March 31, 2012, the Company's shareholders' equity was $146,697 (September 30, 2011 - $168,731) and it had no outstanding long-term debt. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness, to complete a qualifying transaction and to maximize returns for shareholders over the long-term. The Company has not changed its approach to capital management during the six months ended March 31, 2012 and is not subject to externally imposed capital requirements.

8. FINANCIAL INTRUMENTS AND FINANCIAL RISK FACTORS:

Fair value

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have a material effect on the estimated fair value amounts.

The fair values of cash and accounts payable and accrued liabilities are comparable to their carrying value due to the relatively short period to maturity of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk -

The Company's credit risk is primarily attributable to cash included in current assets. The Company has no material concentration of credit risk arising from operations. Cash consist of deposits held in trust with the Company's lawyers and deposits held with a Chartered Canadian bank, from which management believes the risk of loss is remote.

Liquidity risk -

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company currently has current liabilities of $40,873 (September 30, 2011 - $53,303) and current assets of $187,570 (September 30, 2011 - $222,034). The ability of the Company to maintain its working capital in the amount of $146,697 (September 30, 2011 - $168,731) is dependant on its ability to secure additional equity or other financings.

8. FINANCIAL INTRUMENTS AND FINANCIAL RISK FACTORS (continued):

Market risk -

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest rate risk

The Company has cash balances and no interest bearing debt. As of March 31, 2012, the Company is not exposed to any significant interest rate risk.

ii) Foreign currency risk

The Company does not have assets or liabilities denominated in foreign currencies

9. RELATED PARTY TRANSACTIONS:

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which approximates fair value, which is the amount of consideration established and approved by the related parties.

Related party transactions are disclosed below, unless they have been disclosed elsewhere in the financial statements.

During the period ended March 31, 2012, an officer of the Company was reimbursed at cost for corporate development costs amounting to $5,382 (period ended March 31, 2011 - $9,732).

10. SEGMENTED INFORMATION:

The Company's principle business is the identification and evaluation of companies, assets or businesses with a view of completing a Qualifying Transaction. All of the Company's assets and expenses are in Canada.

11. PROPOSED QUALIFYING TRANSACTION AND EVENTS AFTER THE REPORTING PERIOD:

On December 14, 2011, the Company entered into a letter agreement with First Minerals Exploration Limited ("First Minerals"), relating to a qualifying transaction (the "First Minerals Transaction"), pursuant to which the Company proposes to acquire all of the issued and outstanding common shares of First Minerals in exchange for the issuance of common shares in the capital of the Company by way of a three-cornered amalgamation.

11. PROPOSED QUALIFYING TRANSACTION AND EVENTS AFTER THE REPORTING PERIOD (continued):

Trading in the shares of the Company has been halted in accordance with the policies of the Exchange and will remain halted until such time as all required documentation has been filed with and accepted by the Exchange and permission to resume trading has been obtained from the Exchange.

Under the terms of the First Minerals Transaction, each First Minerals shareholder will receive one common share in the Company having a deemed price of $0.05 for every common share of First Minerals held. However, prior to the closing of the First Minerals Transaction, First Minerals intends to complete two non-brokered private placements. The first of these private placements will be to issue up to 666,667 common shares at $0.15 per share for gross proceeds of up to $100,000. An additional private placement is intended to be completed to raise at least the minimum amount of funds specified by the Exchange as a condition of listing to a maximum of $500,000.

After giving effect to the above mentioned transactions, the shareholders of First Minerals will control the Company.

Certain directors of the Company are shareholders in First Minerals.

Integral Wealth Securities Limited will be paid a finder’s fee for its role in identifying First Minerals for the Company by the issuance of 350,000 common shares of the Company.

The above mentioned transactions are subject to the satisfaction of a number of conditions, including the completion of the above private placements, regulatory approval, First Mineral shareholder approval and other conditions customary for a Qualifying Transaction.

Subsequent to the reporting period ended March 31, 2012, the Company was not able to complete a Qualifying Transaction within the time frame prescribed by the TSXV and accordingly the Company’s listing of its common shares was transferred to the NEX Board and approximately 750,000 of the 1,500,000 escrowed seed shares previously issued to non-arms length parties, pursuant to the TSXV Policy 2.4, *Capital Pool Companies*, were cancelled.

In addition, subsequent to the six month period ended March 31, 2012, the above mentioned letter of agreement entered into with First Minerals Exploration Limited pursuant to which the parties agreed to complete the Company’s qualifying transaction expired. The parties remain in discussions about a possible new arrangement, but there can be no assurance that an agreement will be reached.