

ACME RESOURCES CORP.

INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

THREE AND SIX MONTHS ENDED MARCH 31, 2011

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, ACME Resources Corp. discloses that its auditors have not reviewed the unaudited financial statements for the period ended March 31, 2011.

ACME RESOURCES CORP.
INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
THREE AND SIX MONTHS ENDED MARCH 31, 2011

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ACME RESOURCES CORP.
BALANCE SHEETS
(Unaudited – Prepared by Management)

ASSETS

	March 31, 2011	September 30, 2010 (Audited)
CURRENT		
Cash (note 10)	\$ 202,892	\$ 241,887
Accounts receivable	<u>12,151</u>	<u>6,447</u>
	<u>\$ 215,043</u>	<u>\$ 248,334</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 1,832	\$ 11,883

SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 4 (a))	260,804	260,804
CONTRIBUTED SURPLUS (note 12)	65,787	65,787
DEFICIT	<u>(113,380)</u>	<u>(90,140)</u>
	<u>213,211</u>	<u>236,451</u>
	<u>\$ 215,043</u>	<u>\$ 248,334</u>

INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN (note 1)

Approved by the Board:

“Paul Ankcorn”, Director

“Brian Cloney”, Director

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

ACME RESOURCES CORP.

INTERIM STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
(Unaudited – Prepared by Management)

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011

	Three months ended		Six months ended	
	March 31		March 31	
	2011	2010	2011	2010
EXPENSES				
Corporate development	\$ 5,099	\$ -	\$ 9,732	\$ 3,386
Regulatory and filing fees	-	270	576	1,770
Stock-based compensation (note 4(b))	-	51,592	-	51,592
Professional fees	7,222	-	12,727	-
Bank charges	28	-	205	-
Office and general	-	2,000	-	2,000
	<hr/>			
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	12,349	53,862	23,240	58,748
DEFICIT AT BEGINNING OF THE PERIOD	101,031	15,070	90,140	10,184
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DEFICIT AT END OF THE PERIOD	113,380	68,932	113,380	68,932
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Basic and diluted loss per share	\$ 0.00	\$ 0.02	\$ 0.00	\$ 0.03
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Weighted-average number of common shares outstanding	2,851,950	2,446,365	2,851,950	1,967,983
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The accompanying notes are an integral part of these financial statements.

ACME RESOURCES CORP.

INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011

	Three months ended March 31		Six months ended March 31	
	2011	2010	2011	2010
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Net loss for the period	(\$ 12,349)	(\$ 53,862)	(\$ 23,240)	(\$ 58,748)
Add item not effecting cash:				
Stock-based compensation	-	51,592	-	51,592
Adjust for net changes in working capital balances:				
Increase in accounts receivable	(3,278)	(2,496)	(5,704)	(3,023)
Decrease (increase) in deferred financing costs	-	92,878	-	83,618
Increase (decrease) in accounts payable and accrued liabilities	(16,831)	1,348	(10,051)	(16,309)
Cash provided by (used in) operations	<u>(32,458)</u>	<u>89,460</u>	<u>(38,995)</u>	<u>57,130</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Issue of common shares	-	270,390	-	270,390
Share issue cost	-	(142,126)	-	(142,126)
Cash provided by financing	<u>-</u>	<u>128,264</u>	<u>-</u>	<u>128,264</u>
INCREASE (DECREASE) IN CASH POSITION	(32,458)	217,724	(38,995)	185,394
CASH POSITION AT BEGINNING OF THE PERIOD	<u>235,350</u>	<u>45,864</u>	<u>241,887</u>	<u>78,194</u>
CASH POSITION AT END OF THE PERIOD	<u>\$ 202,892</u>	<u>\$ 263,588</u>	<u>\$ 202,892</u>	<u>\$ 263,588</u>
Supplementary disclosure of non-cash item:				
Fair value of agents' options issued as part of the Initial Public Offering	\$ -	\$ 14,195	\$ -	\$ 14,195

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

ACME RESOURCES CORP.

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011

(Unaudited – Prepared by Management)

1. INCORPORATION, 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.

The Company is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The Company has no significant assets other than cash and proposes to identify, and evaluate potential acquisitions or businesses and, once evaluated, proposes to negotiate an acquisition or participation (the “Qualifying Transaction”) subject to receipt of regulatory and, if required, shareholder approval. Where a Qualifying Transaction is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation and complete a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company shares from trading.

The Company filed its prospectus for an Initial Public Offering (“IPO” or “Offering”) on October 30, 2009. It completed its IPO on January 28, 2010 and commenced trading on the TSX Venture Exchange (Tier 2) thereafter under the symbol ACY.P.

The Company has not commenced operations at March 31, 2011.

To date, the Company has not yet identified a company or assets for a potential Qualifying Transaction. Such an acquisition will be subject to shareholder and regulatory approval. The Company may not have sufficient funds to secure such businesses or assets once identified and evaluated and additional funds may be required. These circumstances lend significant doubt as to the appropriateness of the use of accounting principles applicable to a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary in the event the going concern assumption was inappropriate.

2. SIGNIFICANT ACCOUNTING POLICIES:

These unaudited interim financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, certain information and note disclosures normally included in the annual financial statements have been condensed or omitted. These interim financial statements are based on accounting principles and practices consistent with those used in the preparation of the Company’s annual financial statements. These interim financial statements should be read in conjunction with the Company’s September 30, 2010 audited financial statements and the accompanying notes.

ACME RESOURCES CORP.

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011

(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

IMPAIRMENT OF LONG-LIVED ASSETS:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

MEASUREMENT UNCERTAINTY:

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Precise determination of amounts of some assets and liabilities is dependent on future events. This requires that management make estimates in the preparation of financial statements. Actual results could vary from the estimates.

Management has made a number of significant estimates and valuation assumptions, including the collectability of accounts receivable, the fair value of stock-based compensation and agent's options, the value ascribed to accrued liabilities and the valuation allowance for future income tax assets. These estimates and assumptions are based on present conditions and management's planned course of action as well as assumptions about future business and economic conditions. Should the underlying estimates change, the recorded amounts could change by a material amount.

FUTURE INCOME TAXES:

Future income tax assets and liabilities are determined based on differences between the financial statements carrying values and their respective income tax basis generally using the enacted income tax rates at each balance sheet date. Future income tax assets also arise from unused loss carry forwards and other deductions. The amount of the future income tax asset recognized is limited to the amount that is more likely than not to be realized. The estimated realizable amount is reviewed annually and adjusted, if necessary, by use of a valuation allowance.

LOSS PER SHARE:

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options are used to redeem common shares at the prevailing market value. Diluted loss per share is not presented when the effect of the computations are anti-dilutive due to losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

ACME RESOURCES CORP.

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011

(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

CASH:

Cash consists of deposits held in trust for the Company by the Company's lawyers as well as deposits held at a Canadian Chartered bank.

SHARE CAPITAL:

Costs incurred to issue common shares are deducted from share capital.

DEFERRED COSTS:

Costs related to shares not yet issued are recorded as deferred costs. Deferred costs consist primarily of corporate finance and professional fees. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued. Any financing costs which do not directly relate to the issuance of shares are expensed as incurred.

STOCK BASED COMPENSATION:

The Company has a stock option plan as described in note 4 (b). When options to purchase shares are granted to employees or directors, the fair value of the options on the date of the grant is recognized as a compensation expense, with a corresponding increase in contributed surplus, over the period during which the related options vest. When options to purchase shares are granted to non-employees in return for goods or services, the fair value of the options granted is recognized as an expense, with a corresponding increase in contributed surplus, in the period in which the goods or services are received or are expected to be received. The consideration received on the exercise of share options is credited to share capital. When options are exercised, previously recorded compensation is transferred from contributed surplus to share capital to fully reflect the consideration for the shares issued.

FINANCIAL ASSETS AND LIABILITIES:

Assets or liabilities held-for-trading -

Financial instruments classified as assets or liabilities held for trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income (loss) in the period in which the change occurs.

Held-to-maturity investments, loans and receivables and other financial liabilities -

Financial instruments classified as loans and receivables, held-to-maturity investments and other financial liabilities are carried at amortized costs using the effective interest method. Interest income or expense is included in net income (loss) over the expected life of the instrument.

ACME RESOURCES CORP.

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011

(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL ASSETS AND LIABILITIES (continued):

Available-for-sale -

Financial instruments classified as available for sale are recorded at fair value at each balance sheet date and any change in fair value is recognized in other comprehensive income in the period in which these changes occur. Securities classified as available-for-sale and with no quoted market price in an active market are carried at cost. Available-for-sale securities are written down to fair value when it is necessary to reflect other-than-temporary impairment. Upon derecognition, any accrued gains or losses in accumulated other comprehensive income are then recognized in net income (loss).

CLASSIFICATION OF FINANCIAL INSTRUMENTS:

The Company designates its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost.

COMPREHENSIVE INCOME:

This standard incorporates rules for the reporting and display of comprehensive income. Comprehensive income represents a change in shareholders' equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. These items include holding gains and losses on certain investments, gains and losses on certain derivative instruments, and foreign currency gains and losses related to self-sustaining foreign operations.

CAPITAL DISCLOSURES:

Section 1535 specifies the disclosure 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 noncompliance. The Company has included disclosures recommended by this Handbook section in note 6 to these financial statements.

FINANCIAL INSTRUMENTS - DISCLOSURE AND PRESENTATION:

Sections 3862 and 3863 of the CICA Handbook place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by this section in note 7 to these financial statements.

Handbook Section 3862, Financial Instruments – Disclosures, was amended to revise standards for the disclosure of financial instruments. The standard establishes a three-tier hierarchy as a framework for disclosing the fair value of financial instruments based on inputs used to value the Company's financial instruments. The hierarchy of inputs and description of inputs is described as follows:

ACME RESOURCES CORP.

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011

(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL INSTRUMENTS - DISCLOSURE AND PRESENTATION (continued):

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

Financial instruments classified as level 1 – quoted prices in active markets include cash. The Company does not have any additional financial assets or liabilities carried at fair value.

3. FUTURE ACCOUNTING AND REPORTING CHANGES:

Business Combinations, Non-controlling Interest and Consolidated Financial Statements:

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements” and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration 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. It provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, “Business Combinations” (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, “Consolidated and Separate Financial Statements” (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

The Company does not expect that the adoption of these sections will have a significant impact on its financial statements.

ACME RESOURCES CORP.

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(Unaudited – Prepared by Management)

3. FUTURE ACCOUNTING AND REPORTING CHANGES:

International Financial Reporting Standards ("IFRS"):

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("Canadian GAAP") with IFRS over an expected five year transitional period. The AcSB announced in February 2008 that 2011 will be the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending September 30, 2010. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.

4. SHARE CAPITAL:

a) Common shares:

Authorized:

Unlimited number of common shares

Issued and outstanding:

	Period ended March 31, 2011		Year ended September 30, 2010	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	2,851,950	\$ 260,804	1,500,000	\$ 150,000
Initial Public Offering (see below)	-	-	1,351,950	270,390
Share issue cost	-	-	-	(159,586)
Balance, end of the period	<u>2,851,950</u>	<u>\$ 260,804</u>	<u>2,851,950</u>	<u>\$ 260,804</u>

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.

ACME RESOURCES CORP.

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011

(Unaudited – Prepared by Management)

4. SHARE CAPITAL (continued):

a) Common shares (continued):

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.

b) Stock options:

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 three and six month periods ended March 31, 2011:

	Number	Weighted average exercise price
Balance, October 1, 2010 and December 31, 2010	285,194	\$ 0.20
Granted	-	-
Forfeited or cancelled	-	-
Exercised	-	-
Balance, March 31, 2011	<u>285,194</u>	<u>\$ 0.20</u>

The following table summarizes the options outstanding and exercisable at March 31, 2011:

Number of options	Exercise price	Expiry date
<u>285,194</u>	0.20	January 28, 2020

ACME RESOURCES CORP.

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011

(Unaudited – Prepared by Management)

4. SHARE CAPITAL (continued):

b) Stock options (continued):

During the six months ended March 31, 2011, the Company granted nil (six months ended March 31, 2010- 285,194) fully vested stock options to directors and officers. The estimated fair value of these options was \$nil (2010 - \$0.18). The estimated total fair value of vested stock options during the six month period ended March 31, 2011 is \$nil (six months ended March 31, 2010- \$51,592). This amount has been expensed as stock-based compensation in the statement of loss, comprehensive loss and deficit with a corresponding amount recorded as contributed surplus in shareholders' equity.

The following assumptions were used for the Black-Scholes valuation of stock options granted and vested during the six month periods ended March 31, 2011 and 2010:

	2011	2010
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 December 31, 2010	135,195	\$ 0.20
Granted	-	-
Forfeited or cancelled	-	-
Exercised	-	-
Balance, March 31, 2011	135,195	\$ 0.20

The following table summarizes the options outstanding and exercisable at March 31, 2011:

Number of agent's options	Exercise price	Expiry date
135,195	0.20	January 28, 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.

ACME RESOURCES CORP.

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2011
(Unaudited – Prepared by Management)

4. SHARE CAPITAL (continued):

c) Agent's options (continued):

The following assumptions were used for the Black-Scholes valuation of agent's stock options granted during the six months ended March 31, 2011 and 2010:

	2011	2010
Risk-free interest rate	-	1.18%
Expected life	-	2 years
Price volatility	-	100%
Dividend yield	-	0.00%

5. INCOME TAXES:

At March 31, 2011, the Company has approximately \$111,000 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.

6. CAPITAL MANAGEMENT:

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at March 31, 2011, the Company's shareholders' equity was \$213,211 (September 30, 2010 - \$236,451) 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 and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's sole source of capital has been from the issuance of common shares. The net proceeds raised may only be used (with the exception of certain permitted uses of funds by a capital pool company to cover prescribed costs of issuing shares and administrative and general expenses – see note 10) to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. Additional funds may be required to finance the Company's Qualifying Transaction.

7. FINANCIAL INSTRUMENTS 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.

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NOTES TO INTERIM FINANCIAL STATEMENTS

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(Unaudited – Prepared by Management)

7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (continued):

Fair value (continued)

The fair values of cash, accounts receivable 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 and receivables 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 Canadian chartered bank, from which management believes the risk of loss is remote. Other credit risk arises from GST receivable. Management believes that credit risk with respect to receivables is minimal.

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 \$1,832 (September 30, 2010 - \$11,883) and current assets of \$215,043 (September 30, 2010 - \$248,334). The ability of the Company to maintain its working capital (in the amount of \$213,211 (September 30, 2010 - \$236,451)) is dependant on its ability to secure additional equity or other financings.

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, 2011, 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 and therefore are not currently exposed to foreign currency fluctuations.

iii) Price risk

The Company is not currently exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

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8. RELATED PARTY TRANSACTIONS:

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount 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 six month period ended March 31, 2011, an officer of the Company was reimbursed at cost for corporate development costs amounting to \$ 9,732 (six month period ended March 31, 2010 - \$3,386).

9. SEGMENTED INFORMATION:

The Company is a Capital Pool Company with its principle business being the identification and evaluation of companies, assets or businesses with a view to completing a Qualifying Transaction in accordance with Policy 2.4 of the Exchange. All of the Company's assets and expenses are in Canada.

10. CASH:

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets of businesses for future investment, with the exception that the lesser of 30% of the gross proceeds and \$210,000 may be used to cover prescribed costs of issuing the common shares, other than Agent Commissions and fees, and general and administrative expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

11. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform to the current period's presentation. These reclassifications did not affect net loss and comprehensive loss for the previous period.

12. CONTRIBUTED SURPLUS:

Contributed surplus is comprised of the following:

	Six months ended March 31, 2011	Year ended September 30, 2010
Balance, beginning of the period	\$ 65,787	\$ -
Fair value of stock options granted to officers and directors	-	51,592
Fair value of agent's options issued	<u>-</u>	<u>14,195</u>
Balance, end of the period	<u>\$ 65,787</u>	<u>\$ 65,787</u>