

KENNA CAPITAL CORP.
CONDENSED INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

(Unaudited)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
PREPARED BY MANAGEMENT**

The accompanying condensed interim financial statements of Kenna Capital Corp. (the “Company”) comprised of the Condensed Interim Statements of Financial Position as at March 31, 2012 and December 31, 2011, and the Condensed Interim Statements of Operations and Comprehensive Loss, Condensed Interim Statements of Changes in Equity and Condensed Interim Statements of Cash Flows for the three months ended March 31, 2012 and 2011 are the responsibility of the Company’s management. The independent external auditors of the Company have not reviewed these financial statements.

KENNA CAPITAL CORP.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	<u>March 31,</u> <u>2012</u> (Unaudited)	<u>December 31,</u> <u>2011</u> (Audited)
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 651,818	\$ 747,062
Accounts receivable and prepaid expenses	5,636	4,131
	<u>657,454</u>	<u>751,193</u>
Non-current assets		
Exploration and evaluation assets (Note 3)	<u>179,120</u>	<u>-</u>
	<u>\$ 836,574</u>	<u>\$ 751,193</u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 83,533</u>	<u>\$ 15,579</u>
<u>SHAREHOLDERS' EQUITY</u>		
Share capital (Note 4)	1,027,954	898,954
Contributed surplus	126,069	126,069
Deficit	<u>(400,982)</u>	<u>(289,409)</u>
	<u>753,041</u>	<u>735,614</u>
	<u>\$ 836,574</u>	<u>\$ 751,193</u>

Approved by the Board on May 25, 2012

“Todd L. Lahti”

Director

“Corey J. Giasson”

Director

KENNA CAPITAL CORP.

CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED MARCH 31,

(Expressed in Canadian dollars)

(Unaudited)

	<u>2012</u>	<u>2011</u>
Revenue		
Interest income	\$ 1,526	\$ 1,713
Expenses		
Accounting and audit	5,219	4,979
Legal	80,115	22,993
Consultants	7,000	7,824
Insurance	2,374	2,374
Transfer agent, listing and filing fees	16,972	8,873
Travel	1,267	-
Office and miscellaneous	152	64
	<u>113,099</u>	<u>47,107</u>
Net and comprehensive loss	\$ (111,573)	\$ (45,394)
Basic and diluted loss per common share	\$ (0.015)	\$ (0.006)
Weighted average number of common shares outstanding	<u>7,477,610</u>	<u>7,338,600</u>

KENNA CAPITAL CORP.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31,

(Expressed in Canadian dollars)

(Unaudited)

	<u>Common Shares</u>	<u>Share Capital</u>	<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Total</u>
Balance, December 31, 2010	7,338,600	\$ 898,954	\$ 126,069	\$ (178,049)	\$ 846,974
Net and comprehensive loss	-	-	-	(45,394)	(45,394)
Balance, March 31, 2011	<u>7,338,600</u>	<u>\$ 898,954</u>	<u>\$ 126,069</u>	<u>\$ (223,443)</u>	<u>\$ 801,580</u>
Balance, December 31, 2011	7,338,600	\$ 898,954	\$ 126,069	\$ (289,409)	\$ 735,614
Issuance of Class A shares	1,075,000	129,000	-	-	129,000
Net and comprehensive loss	-	-	-	(111,573)	(111,573)
Balance, March 31, 2012	<u>8,413,600</u>	<u>\$ 1,027,954</u>	<u>\$ 126,069</u>	<u>\$ (400,982)</u>	<u>\$ 753,041</u>

KENNA CAPITAL CORP.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31,

(Expressed in Canadian dollars)

(Unaudited)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net loss	\$ (111,573)	\$ (6,877)
Net changes in non-cash working capital items related to operations:		
Accounts receivable and prepaid expenses	(1,505)	(548)
Accounts payable and accrued liabilities	67,954	(8,333)
	<u>(45,124)</u>	<u>(15,758)</u>
Cash flows from investing activities:		
Exploration and evaluation assets	(50,120)	-
	<u>(50,120)</u>	<u>-</u>
Cash flows from financing activities:		
Deferred share issue costs	-	(24,155)
Accounts payable and accrued liabilities	-	(19,419)
	<u>-</u>	<u>(43,574)</u>
Net decrease in cash during the period	(95,244)	(59,332)
Cash and cash equivalents, beginning of the period	747,062	355,648
	<u>747,062</u>	<u>355,648</u>
Cash and cash equivalents, end of the period	<u>\$ 651,818</u>	<u>\$ 296,316</u>
 Non-cash investing and financing transactions:		
Class A shares issued to acquire exploration and evaluation assets	\$ 129,000	\$ -

KENNA CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2012

(Unaudited)

1. Nature of operations

The Company was incorporated under the provisions of *The Business Corporations Act* (Saskatchewan) on September 25, 2009, under the name of Kenna Capital Corp.

On March 28, 2012, the Company completed its Qualifying Transaction, as defined in TSX Venture Exchange Corporate Finance Manual Policy 2.4 - *Capital Pool Companies*. The transaction involved the acquisition of 100% of all rights, title and interests in the Elizabeth Lake copper, silver and gold property located in northern Saskatchewan. The Company is now listed as a Tier 2 mining company and is no longer considered a Capital Pool Company. The Company's shares trade on the TSX Venture Exchange under symbol "MMG".

Continuance of operations

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the three months ended March 31, 2012, the Company had a loss from operations of \$111,573 and deficit in the amount of \$400,982. The Company's continuing operations, as intended, are dependent on its ability to continue to raise adequate financing and to explore and develop resource properties. The outcome of these matters cannot be predicted at this time.

2. Significant accounting policies

Statement of compliance

These condensed interim financial statements were prepared using International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting and have been prepared following the same accounting policies as the annual financial statements for the year ended December 31, 2011, but do not include all of the information required for annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board.

Exploration and evaluation assets

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

Once the right to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets. Exploration expenditure relates to the initial search for deposits with economic potential land to detailed assessments of deposits or other projects that have economic potential.

Management reviews the carrying value of capitalized exploration and evaluation assets regularly, assessing recoverable value and possible impairment.

Once an economically viable reserve has been determined for an area, associated costs are tested for impairment and then reclassified to property, plant and equipment.

KENNA CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2012

(Unaudited)

2. Significant accounting policies (continued)

Future accounting pronouncements

The following standards have been issued but are not yet effective:

- Financial instruments (IAS 39 replacement)
- Consolidation
- Fair value measurement
- Leases
- Revenue recognition
- Joint ventures
- Post employment benefits
- Insurance contracts

The Company is currently evaluating the impact of the above standards on its financial performance and financial statement disclosures but expects that such impact will not be material.

3. Exploration and evaluation assets

On March 28, 2012, the Company completed its Qualifying Transaction, involving the acquisition of 100% of all rights, title and interests in the Elizabeth Lake copper, silver and gold project located in northern Saskatchewan (such property and interests are collectively referred to as the "Property").

As consideration for the acquisition of the Property, the Company issued an aggregate of 1,000,000 common shares to BEC International Corp. (the "Vendor") at an ascribed price of \$0.12 per share and paid \$50,000 in cash consideration to the Vendor. In addition, the Company granted to the Vendor a two percent (2%) royalty on production from the Property, to a maximum amount payable of \$5,000,000. A finder's was paid to an arm's length party through the issuance of 75,000 common shares of the Company at a deemed price of \$0.12 per share.

KENNA CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2012

(Unaudited)

4. Share capital

The authorized share capital of the Company consists of an unlimited number of Class A shares (“Common Shares” or “Shares”).

Common Shares issued and contributed surplus

	<u>Common Shares</u>	<u>Share Capital</u>	<u>Contributed Surplus</u>
Offering - 2009	3,845,100	\$ 384,510	\$ -
Initial public offering - 2010	3,493,500	698,700	-
Share issue costs	-	(158,432)	-
Agent's options	-	(25,824)	25,824
Stock-based compensation	-	-	100,245
Balance, December 31, 2011	<u>7,338,600</u>	<u>\$ 898,954</u>	<u>\$ 126,069</u>
Shares issued on acquisition of exploration and evaluation assets	1,075,000	\$ 129,000	-
Balance, March 31, 2012	<u>8,413,600</u>	<u>\$ 1,027,954</u>	<u>\$ 126,069</u>

In 2009, the Company issued 3,845,100 Shares at a price of \$0.10 per Share for total cash proceeds of \$384,510, all of which were deposited in escrow (the “Escrow Shares”) pursuant to an escrow agreement dated March 24, 2010.

Pursuant to the escrow agreement, 10% of the Escrow Shares were released from escrow upon issuance of a Final Exchange Bulletin by the TSX-V related to the completion of the Company’s Qualifying Transaction. The remainder of the Escrow Shares will be released from escrow in six equal tranches of 15% every six months thereafter for a period of 36 months. These Escrow Shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

On April 7, 2010, the Company completed its initial public offering (the “Offering”) of 3,493,500 Shares at a price of \$0.20 per Share for aggregate gross proceeds of \$698,700. The Offering was made pursuant to a prospectus dated March 24, 2010, filed with the British Columbia Securities Commission, the Alberta Securities Commission, the Saskatchewan Financial Services Commission, The Manitoba Securities Commission and the Ontario Securities Commission.

On March 28, 2012, the Company issued 1,075,000 Shares at an ascribed price of \$0.12 per Share to acquire the Elizabeth Lake copper, silver and gold project.

KENNA CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2012

(Unaudited)

4. Share capital (continued)

Stock option plan

The Company has adopted an incentive stock option plan (the "Option Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Shares.

On April 7, 2010, immediately following the closing of the Offering, the Company issued 733,860 stock options to its directors and officers. These stock options have an exercise price of \$0.20 per Share, are exercisable for a period of 5 years and vested immediately.

The fair value of stock options issued in 2010 calculated using the Black-Scholes option pricing model was \$100,245 and was recorded as stock based compensation, with a corresponding increase in contributed surplus. The fair value was determined using the following assumptions: risk free rate of 2.98%, volatility of 85%, dividend yield of nil and expected term of five years.

Agent's option

In conjunction with the Offering, the Company issued to its agent a non-transferable option to purchase 279,480 Shares at a price of \$0.20 per Share, exercisable until April 15, 2012.

The fair value of agent's options issued in 2010 calculated using the Black-Scholes option pricing model was \$25,824 and was recorded as share issue costs, reducing share capital, with a corresponding increase in contributed surplus. The fair value was determined using the following assumptions: risk free rate of 1.78%, volatility of 85%, dividend yield of nil and expected term of two years.

On April 12, 2012, the agent exercised the option resulting in the issuance of 3,375 Shares. Thereafter, the option expired.

5. Capital management

The Company's objective is to maintain a strong capital base so as to have sufficient resources to acquire, explore and develop resource properties. The Company is not subject to externally imposed capital requirements.

6. Financial instruments

Fair value of financial instruments

The carrying amount of current financial assets and current financial liabilities approximate their fair value because of the short-term maturities of these items.