

**KENNA CAPITAL CORP.**  
**INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2011**

**(Unaudited)**

**UNAUDITED FINANCIAL STATEMENTS  
PREPARED BY MANAGEMENT**

The accompanying financial statements of Kenna Capital Corp. comprised of the Balance Sheets as at March 31, 2011 and December 31, 2010, and the Interim Statement of Loss and Deficit and Statement of Cash Flows for the three months ended March 31, 2011 and 2010 are the responsibility of the Company's Management. The independent external auditors of the Company have not reviewed these financial statements.

**KENNA CAPITAL CORP.**

**BALANCE SHEET**

	<b>March 31, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
		(note 6)	(note 6)
<b><u>ASSETS</u></b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 800,946	\$ 860,046	\$ 355,648
Accounts receivable and prepaid expenses	2,699	3,635	1,669
Deferred share issue costs			36,184
	<b><u>\$ 803,645</u></b>	<b><u>\$ 863,681</u></b>	<b><u>\$ 393,501</u></b>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	<b><u>\$ 2,065</u></b>	<b><u>\$ 16,707</u></b>	<b><u>\$ 27,918</u></b>
<b><u>SHAREHOLDERS' EQUITY</u></b>			
Share Capital	898,954	898,954	384,510
Contributed Surplus	126,069	126,069	-
Deficit	(223,443)	(178,049)	(18,927)
	<b><u>801,580</u></b>	<b><u>846,974</u></b>	<b><u>365,583</u></b>
	<b><u>\$ 803,645</u></b>	<b><u>\$ 863,681</u></b>	<b><u>\$ 393,501</u></b>

Approved by the Board

"Stephen P. Halabura" Director

"Corey J. Giasson" Director

**KENNA CAPITAL CORP.**

**STATEMENT OF LOSS AND DEFICIT**

**For The Three Months Ended March 31, 2011 and 2010**

	Three months ended March 31	
	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
Interest Income	<u>\$ 1,713</u>	<u>\$ 105</u>
<b>Expenses</b>		
Accounting and audit	4,979	6,551
Legal	22,993	239
Consultants	7,824	-
Insurance	2,374	87
Transfer agent, listing and filing fees	8,873	-
Office and miscellaneous	64	105
	<u>47,107</u>	<u>6,982</u>
<b>Net comprehensive loss</b>	<b>\$ (45,394)</b>	<b>\$ (6,877)</b>
Deficit, beginning of period	(178,049)	(18,927)
<b>Deficit, end of period</b>	<b><u>\$ (223,443)</u></b>	<b><u>\$ (25,804)</u></b>
<b>Basic and diluted loss per common share</b>	<b><u>\$ 0.006</u></b>	<b><u>\$ 0.002</u></b>
<b>Weighted average number of common shares outstanding</b>	<b><u>7,338,600</u></b>	<b><u>3,845,100</u></b>

**KENNA CAPITAL CORP.**

**STATEMENT OF CHANGES IN EQUITY**

	<b>Common Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, January 1, 2010</b>	3,845,100	\$ 384,510	\$ -	\$ (18,927)	\$ 365,583
Net loss and comprehensive loss				(6,877)	(6,877)
<b>Balance, March 31, 2010</b>	<u>3,845,100</u>	<u>\$ 384,510</u>	<u>\$ -</u>	<u>\$ (25,804)</u>	<u>\$ 358,706</u>
<b>Balance, January 1, 2011</b>	7,338,660	\$ 898,954	\$ 126,069	\$ (178,049)	\$ 846,974
Net loss and comprehensive loss				(45,394)	(45,394)
<b>Balance, March 31, 2011</b>	<u>7,338,660</u>	<u>\$ 898,954</u>	<u>\$ 126,069</u>	<u>\$ (223,443)</u>	<u>\$ 801,580</u>

**KENNA CAPITAL CORP.**

**STATEMENT OF CASH FLOWS**

**For The Three Months Ended March 31, 2011 and 2010**

	<b>Three months ended March 31</b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (45,394)	\$ (6,877)
Net changes in non-cash working capital items related to operations:		
Accounts receivable and prepaid expenses	936	(548)
Accounts payable and accrued liabilities	(14,642)	(8,333)
	<b><u>(59,100)</u></b>	<b><u>(15,758)</u></b>
<b>Cash flows from financing activities:</b>		
Deferred share issue costs	-	(24,155)
Accounts payable and accrued liabilities	-	(19,419)
	<b><u>-</u></b>	<b><u>(43,574)</u></b>
<b>Net decrease in cash during the period</b>	(59,100)	(59,332)
Cash, beginning of the period	<u>860,046</u>	<u>355,648</u>
<b>Cash, end of the period</b>	<b><u>\$ 800,946</u></b>	<b><u>\$ 296,316</u></b>

**KENNA CAPITAL CORP.**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2011**

(Unaudited)

**1. Nature of operations**

The Corporation was incorporated under the provisions of *The Saskatchewan Business Corporations Act* on September 25, 2009, under the name of Kenna Capital Corp. The Corporation is classified as a Capital Pool Corporation as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4.

The Corporation proposes to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the TSX-V, and in the case of a Non-Arm’s Length Qualifying Transaction, is also subject to Majority of the Minority Approval in accordance with the Capital Pool Corporation Policy.

**Continuance of operations**

These financial statements have been prepared on a going concern basis which assumes that the Corporation 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, 2011, the Corporation had a loss from operations of \$45,394 and deficit in the amount of \$223,443. The Corporation’s continuing operations, as intended, are dependent on its ability to continue to raise adequate financing and to identify, evaluate, and negotiate an acquisition of, a participation in or an interest in, assets or businesses. The outcome of these matters cannot be predicted at this time.

**2. Significant accounting policies**

**Statement of compliance**

These are the Company’s first financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). The disclosures required by the provisions of IFRS 1, “First-time adoption of International Financial Reporting Standards”, explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of the Company, are presented in Note 6.

These unaudited financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The accounting policies described below have been applied consistently to all periods presented in these unaudited interim financial statements. They have also been applied in preparing an opening IFRS balance sheet as January 1, 2010 (Note x) for the purposes of the transition to IFRS as required by IFRS 1.

The unaudited interim financial statements have been prepared on the basis of IFRS standards that are expected to be effective or available for early adoption by the Company on December 31, 2011, the Company’s first annual reporting date under IFRS. The Company has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ended December 31, 2011.

**KENNA CAPITAL CORP.**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2011**

(Unaudited)

**2. Significant account policies (continued)**

**Basis of presentation**

These unaudited financial statements have been prepared on the historical cost basis.

**Functional and presentation currency**

These unaudited financial statements have been prepared in Canadian dollars, which is the Company's functional presentation currency.

**Cash and cash equivalents**

Cash consists of funds held on deposit and investments in cash equivalents with short-term maturities.

**Deferred income taxes**

The Corporation uses the liability method of recording income taxes. This method recognizes the income tax outflows that will result whenever the carrying amount of an asset or liability is recovered or settled. Deferred income tax assets and liabilities are measured using enacted or substantially enacted income tax rates at the statement of financial position date that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled.

**Share issue costs**

Share issue costs are charged against share capital in the period of issuance. Costs incurred for shares that have not been issued at period end are deferred until such time as the related shares are issued. If it becomes apparent that no further shares will be issued that relate to these costs, the full amount will be charged to share capital immediately.

**Loss per share**

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

**Share based payments**

Options and warrants granted are accounted for using the fair value method. Under this method, the fair value of stock options and warrants granted are measured at estimated fair value at the grant date and recognized over the vesting period. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

The Corporation uses the Black-Scholes option-pricing method to determine the fair value of these incentives taking into consideration terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.



**KENNA CAPITAL CORP.**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2011**

(Unaudited)

**2. Significant account policies (continued)**

**Use of estimates**

The preparation of financial statements, in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

Significant estimates used in the preparation of the financial statements include, but are not limited to, the inputs used in the measurement of the expense related to share based payments, and the income tax provision for the period.

**Financial instruments**

The Corporation estimates the fair value of its financial instruments based on current interest rates, market value, and current pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of the financial instruments approximates their fair market value.

Financial assets and financial liabilities are initially recorded fair value and their subsequent measurement is dependent on their classification.

The Corporation has elected to apply the following classifications to each of its significant categories of financial instruments:

<u>Financial Instrument</u>	<u>Classification</u>	<u>Subsequent Measurement</u>
Cash	Held-for-trading	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

**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.

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**3. Share capital**

The authorized share capital of the Corporation consists of an unlimited number of Class A common shares (“Shares”).

**Common shares issued and contributed surplus**

	<b><u>Common Shares</u></b>	<b><u>Share Capital</u></b>	<b><u>Contributed Surplus</u></b>
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
<b>Balance, March 31, 2011 and December 31, 2010</b>	<b><u>7,338,600</u></b>	<b><u>\$ 898,954</u></b>	<b><u>\$ 126,069</u></b>

In 2009, the Corporation issued 3,845,100 Shares at a price of \$0.10 per Share for total cash proceeds of \$384,510, all of which are held in escrow (the “Escrow Shares”).

Ten percent of the Escrow Shares will be released from escrow upon issuance of a Final Exchange Bulletin by the TSX-V. 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. If a Final Exchange Bulletin is not issued, the shares will not be released from escrow and if the Corporation is delisted, the shares will be cancelled.

Rather than be delisted, the Corporation may also choose to list on the NEX, in which case some or all of the Escrow Shares may be cancelled.

On April 7, 2010, the Corporation completed its initial public offering (the “Offering”) of 3,493,500 Class A common 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.

The Shares commenced trading on the TSX Venture Exchange on April 15, 2010 under the symbol “MMG.P”.

**Stock option plan**

The Corporation has adopted an incentive stock option plan (the “Option Plan”) which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in

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accordance with TSX-V requirements grant to directors, officers, employees and technical consultants to the Corporation, non-transferable options to purchase common shares.

On April 7, 2010, immediately following the closing of the Offering, the Corporation 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 Corporation issued to its agent a non-transferable option to purchase 279,480 Class A common 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.

**4. Capital management**

The Corporation's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to allow the Corporation to complete a qualifying transaction. Management defines capital as the Corporation's shareholders' equity. The Corporation is not subject to externally imposed capital requirements.

**5. 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.

**6. Conversion to IFRS**

As stated in Significant Accounting Policies Note 2, these are the Company's first financial statements prepared in accordance with IFRS as issued by the IASB.

The policies set out in the Significant Accounting Policies section have been applied in preparing the financial statements for the three months ended March 31, 2011 the comparative information presented for the three months ended March 31, 2010 and in preparation of an opening IFRS balance sheet at January 1, 2010 (the Company's transition date).

**First time adoption of IFRS**

The Company did not use any of the optional exemptions listed in IFRS 1.

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**6. Conversion to IFRS (continued)**

As management had anticipated, given the business of the Company as a Capital Pool Corporation and given the limited number of transactions that the Company has entered into since incorporation, the impact of the adoption of IFRS had no impact on the Company's financial position, financial performance and cash flows. Specifically, the main areas of accounting focus for the Company to date have been, and will continue to be prior to the consummation of a Qualifying Transaction, the issuance of share capital, the recording of share based payments and the recording of cash transactions for which there are very few or no significant differences between IFRS and Canadian GAAP.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position and at the Transition Date are consistent with those that were made under Canadian GAAP.

**Changes to accounting policies**

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be available for early adoption on December 31, 2011. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

**Transition date unaudited condensed statement of financial position**

The Company's Transition Date IFRS unaudited statement of financial position is included as comparative information in the unaudited condensed interim statements of financial position in these financial statements. The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the unaudited interim statement of financial position as at the transition date.

**Comparative unaudited condensed financial statements**

The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the unaudited statement of financial position as at December 31, 2010.