ANSUE CAPITAL CORP.

UNAUDITED INTERIM FINANCIAL STATEMENTS

As at and for the three and six months ended

July 31, 2011

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Caracara Silver Inc. (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting and IFRS 1 - First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to its shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Nick Tintor"	*"Stephen Gledhill"*
President and Chief Executive Officer	Chief Financial Officer

NOTICE TO READER

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim financial statements as at and for the three and six months ended July 31, 2011 and 2010 have not been reviewed by the Company's auditors.

ANSUE CAPITAL CORP.

(A Capital Pool Company)

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

	Notes	**July 31, 2011**	**January 31, 2011**	**February 1, 2010 (Note 12)**
ASSETS				
		$	$	$
CURRENT				
Cash and cash equivalents		**2,112**	21,780	2,312
Sales tax receivable		**4,642**	236	1,200
Short-term investment	**4**	**125,000**	176,204	70,000
		131,754	198,220	73,512
DEFERRED FINANCE CHARGES		**-**	-	24,500
TOTAL ASSETS		**131,754**	198,220	98,012
LIABILITIES				
		$	$	$
CURRENT				
Accounts payable and accrued liabilities		**-**	471	-
SHAREHOLDERS' EQUITY				
		$	$	$
Share Capital	**6**	**219,941**	219,941	100,000
Contributed Surplus	**7**	**37,820**	37,820	-
Deficit		**(126,007)**	(60,012)	(1,988)
		131,754	197,749	98,012
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**131,754**	198,220	98,012

Subsequent event (note 13)

Approved on behalf of the Board on October 3, 2011

"Nick Tintor"
Director

"Anne B. Chopra"
Director

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

ANSUE CAPITAL CORP.

(A Capital Pool Company)

UNAUDITED INTERIM STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

		Three Months Ended		Six Months Ended	
	Notes	**July 31, 2011**	July 31, 2010	**July 31, 2011**	July 31, 2010
		$	$	**$**	$
OPERATING EXPENSES					
General office expenses		**278**	5,776	**452**	6,826
Professional fees		**46,702**	3,000	**56,884**	3,107
Transfer agent and filing fees		**532**	4,585	**9,204**	5,455
		47,512	13,361	**66,540**	15,388
OTHER INCOME					
Interest Income		**28**	317	**545**	373
NET (LOSS) AND COMPREHENSIVE (LOSS) FOR THE PERIOD		**(47,484)**	(13,044)	**(65,995)**	(15,015)
DEFICIT beginning of period		**(78,523)**	(3,959)	**(60,012)**	(1,988)
DEFICIT end of period		**(126,007)**	(17,003)	**(126,007)**	(17,003)
LOSS PER SHARE, basic and diluted		**(0.012)**	(0.000)	**(0.016)**	(0.000)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, Basic and diluted		**4,060,000**	2,427,397	**4,060,000**	2,427,397

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

ANSUE CAPITAL CORP.

(A Capital Pool Company)

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

	Six Months Ended July 31,	
	2011	**2010**
	$	$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net (Loss) for the period	(65,995)	(15,015)
Changes in non-cash working capital items:		
Sales tax receivable	(4,405)	203
Accounts payable and accrued liabilities	(472)	1,309
	(70,872)	(13,503)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuance of common shares	-	200,000
Share issuance costs	-	(53,593)
	-	146,407
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Short–term investment	51,204	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,668)	132,903
Cash and Cash Equivalents, beginning of period	21,780	72,313
Cash and Cash Equivalents, end of period	2,112	205,216
Supplemental cash flow information	$	$
Interest paid	-	-
Income taxes paid	-	-

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

ANSUE CAPITAL CORP.

(A Capital Pool Company)

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Capital stock	Contributed Surplus	Deficit	Total
		$	$	$	$
Balance, February 1, 2010	**2,000,000**	**100,000**	**-**	**(1,988)**	**98,012**
Initial public offering at $0.10 per share (net of share Issuance costs)	2,000,000	121,906	-	-	121,906
Net loss for the period		-	-	(1,971)	(1,971)
Balance, July 31, 2010	**4,000,000**	**221,906**	**-**	**(3,959)**	**217,947**
Issuance of Agent's options	-	(11,379)	11,379	-	-
Exercise of Agent's Options	60,000	6,000	-	-	6,000
Reclassification to share capital upon exercise of agent's options	-	3,414	(3,414)	-	-
Stock options	-	-	29,855	-	29,855
Net loss for the period	-	-	-	(56,053)	(56,053)
Balance, January 31, 2011	**4,060,000**	**219,941**	**37,820**	**(60,012)**	**197,749**
Net loss for the period	-	-	-	(65,995)	(65,995)
Balance, July 31, 2011	**4,060,000**	**219,941**	**37,820**	**(126,007)**	**131,754**

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

1. NATURE OF OPERATIONS

The unaudited interim financial statements of Ansue Capital Corp. (the "Company") for the three months ended April 30, 2011 were authorized for issuance in accordance with a resolution of the directors on October 3, 2011.

The Company was incorporated under the Business Corporations Act of British Columbia on December 3, 2009. The Company is a capital pool company as defined by the rules of the TSX Venture Exchange ("Exchange") in Policy 2.4 of the Exchange.

The head office, principal address and registered and records office of the Company are located at suite 490, 580 Hornby Street, Vancouver B.C. V6C 3B6.

As of July 31, 2011, the Company had no business or material assets, other than cash and cash equivalents, receivable and short term investment. The Company identifies and evaluates potential acquisitions or businesses and once identified and evaluated, to negotiate an acquisition or participation in a Qualifying Transaction as defined under the TSX Venture Exchange Policy 2.4. The Qualifying Transaction will be subject to shareholder and regulatory approval.

On March 1, 2011 the Company entered into a letter of intent with respect to a proposed business combination with Southern Andes Energy Inc. ("Southern Andes") which, if completed, will be the Company's Qualifying Transaction pursuant to the policies of the Exchange. In accordance with the Exchange policies, the Company's shares were halted from trading effective March 1, 2011 and will remain halted until such time as determined by the Exchange, which may not occur until the completion of the Definitive Agreement or if the Qualifying Transaction is abandoned. The purpose of the letter of intent is to outline the principle terms and conditions upon which the Company will acquire from Southern Andes a 100% interest in the assets of Caracara Silver Inc. ("Caracara"), a wholly-owned subsidiary of Southern Andes that comprises interests in silver properties located in Peru.

Further to the news release dated March 2, 2011, the Company signed a definitive agreement (the "Definitive Agreement") with Southern Andes Energy Inc. which provides that the Company shall acquire (the "Acquisition") all of the issued and outstanding shares of Caracara, Alpaca Exploraciones SAC ("Alpaca") and Solex del Peru SAC ("Solex"). As a result of the Acquisition, the Company will acquire all of the silver assets of Southern Andes which comprise 24,600 hectares of concessions located approximately 200 kilometres north of Juliaca, Peru.

On May 19, 2011, the Company announced that the shareholders of Southern Andes had approved the sale of all the issued and outstanding shares of Caracara, Alpaca and Solex pursuant to the Qualifying Transaction with Southern Andes.

On July 18, 2011 the Company announced that at the Annual and Special Meeting of the shareholders of the Company, all matters regarding the Qualifying Transaction with Southern Andes were approved, including the proposed name change of the Company to Caracara Silver Inc.

Also see note 13 – Subsequent events.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim financial statements are unaudited and have been prepared in accordance with IAS 34 *'Interim Financial* Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of October 3, 2011, the date the Board of Directors approved the interim financial statements. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements for the year ending January 31, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These are the Company's second IFRS interim financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending January 31, 2012. Previously, the Company prepared its annual consolidated and interim consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian "GAAP").

As these are the Company's second set of interim financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's fiscal 2011 annual financial statements prepared in accordance with Canadian GAAP. In fiscal 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's interim financial statements under IFRS as the reader will be able rely on the annual financial statements which will be prepared in accordance with IFRS.

2.2 Basis of presentation

The unaudited interim financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 3. The comparative figures presented in these interim financial statements are in accordance with IFRS and have not been audited.

2.3 Adoption of new and revised standards and interpretations

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 February 1, 2011. 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.

At the date of authorization of these unaudited interim financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- **IFRS 9 *'Financial Instruments: Classification and Measurement'*** – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- **IFRS 10 '*Consolidated Financial Statements'*** – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- **IFRS 11 '*Joint Arrangements'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- **IFRS 12 '*Disclosure of Interests in Other Entities'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- **IFRS 13 '*Fair Value Measurement'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES and ASSUMPTIONS

The preparation of these unaudited interim financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the interim financial statements is described below:

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

4. SIGNIFICANT ACCOUNTING POLICIES

The preparation of these unaudited interim financial statements in accordance with IAS 34 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these unaudited interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at February 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1. The impact of the transition from Canadian GAAP to IFRS is explained in note 12.

The accounting policies have been applied consistently throughout the Company for purposes of these interim financial statements.

a) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at July 31, 2011, the Company's cash and cash equivalents consist of cash only.

b) Short-term investments

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months.

c) Earnings / loss per share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of options, warrants and convertible securities and that the assumed proceeds from the exercise of options, warrants and convertible securities are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during the periods in which a net loss is incurred as the effect is anti-dilutive.

e) Financial assets

<u>Financial assets at fair value through profit or loss ("FVTPL")</u>

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designed as effective hedges. Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value, with changes recognized in profit or loss. Transaction costs are expensed.

Cash and cash equivalents and short-term investment are classified as financial assets held for trading and measured at fair value. Gains and losses related to periodical evaluations are recorded in net income.

f) Financial liabilities

Financial liabilities are classified as either FVTPL or other financial liabilities.

<u>Other financial liabilities</u>

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified accounts payable and accrued liabilities as other financial liabilities.

h) Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

i) Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the unaudited condensed interim statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any derivative financial instruments.

j) Income taxes

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

k) Share-based payment transactions

The Company recognizes stock-based compensation expense for the estimated fair value of equity-based instruments granted to both employees and non-employees. Compensation expense is recognized when the options are granted with the same amount being recorded as contributed surplus. The expense is determined using an option pricing model that takes into account the exercise price, the term of the option, the current share price, the expected volatility of the underlying shares, the expected dividend yield, and the risk free interest rate for the term of the option. If the options are exercised, contributed surplus will be reduced by the applicable amount. Stock-based compensation calculations have no effect in the Company's cash position.

l) Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

5. FUTURE ACCOUNTING PRONOUNCEMENTS

The following pronouncement from the International Accounting Standards Board ("IASB") will become effective for future financial reporting periods and has not yet been adopted by the Company.

- IFRS 9, Financial Instruments, effective for annual periods beginning on or after January 1, 2013 with transitional arrangements depending on the date of initial application. This standard is part of the IASB's wider project to replace International Accounting Standard 39, Financial Instruments: Recognition and Measurement. This standard has not yet been endorsed by the Accounting Standards Board. The Company has not yet determined the impact of this standard on its financial statements.

6. SHARE CAPITAL

(a) Authorized: Unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of Shares	Amount
Balance at February 1, 2010	**2,000,000**	**100,000**
Initial public offering at $0.10 per share	2,000,000	200,000
Share issuance costs	-	(78,094)
Balance at July 31, 2010	**4,000,000**	**221,906**
Fair value of issued agent options	-	(11,379)
Exercise of agent option	6,000	6,000
Fair value transfer of exercised agent options	-	3,414
Balance at January 31, 2011 and July 31, 2011	**4,006,000**	**219,941**

In May 2010, the Company completed its initial public offering in British Columbia and Alberta by issuing 2,000,000 common shares at a purchase price of $0.10 per share for gross proceeds to the Company of $200,000. Financing costs totaled $78,094. Mackie Research Capital Corporation acted as agent in respect of the offering and received a cash commission of $20,000, an administration fee of $10,000 and an option to acquire an aggregate of 200,000 common shares for a period of two years from the date of the listing of the common shares of the Company on the TSX Venture Exchange at an exercise price of $0.10 per common share. In August 2010, 60,000 agent's options were exercised for gross proceeds to the Company of $6,000, leaving a balance of 140,000 agent's options outstanding.

(c) Escrowed shares:

On January 18, 2010, the Company issued 2,000,000 common shares at $0.05 per share to its directors and officers for cash proceeds of $100,000. These shares are subject to an escrow agreement, are held by the Company's escrow agent, and are to be released in accordance with the TSX Venture Exchange CPC policy guidelines. According to Exchange policies, all seed shares issued at a price lower than the price of the Initial Public Offering (IPO) shares and all securities acquired by non-arm's length parties to the Company, and all securities acquired by a Control Person are held in escrow and will be released over a period of three years from the acceptance of the Company's Qualifying Transaction.

All common shares acquired on exercise of stock options, granted to directors and officers prior to the completion of a Qualifying Transaction must also be deposited in escrow until the final exchange bulletin is issued.

7. SHARE-BASED PAYMENT TRANSACTIONS

Stock Options

On June 2, 2010 the Board of Directors of the Company granted its three directors an aggregate of 400,000 incentive stock options. The stock options vest immediately and are exercisable at a price of $0.10 per share and expire on June 2, 2015. Any common shares acquired pursuant to the exercise of the stock options prior to the completion of the Qualifying Transaction, will be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

Stock option transactions and the number of stock options outstanding and exercisable as at July 31, 2011 are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, January 31, 2011 and July 31, 2011	400,000	$ 0.10

The Company recognizes stock-based compensation expense for the estimated fair value of stock options granted to both employees and non-employees. Accordingly, compensation costs are measured at the fair value at the grant date, and recognized over the expected vesting period.

The Company calculated stock-based compensation in full as of January 31, 2011 on the stock options granted to its directors as the stock options were fully vested at the time of the grant. The fair market value of stock options granted was estimated at $0.08 per stock option by using Black-Scholes fair value option-pricing model and the following assumptions were used:

Risk-free interest rate	2.68 %
Expected life of stock options	5 years
Annualized volatility	98 %
Dividend rate	0.00%

The Black-Scholes valuation model was developed for use in estimating the fair value of traded options which are fully transferable and freely traded. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options. Stock-based compensation calculations have no effect on the Company's cash position.

Agent Options

Pursuant to its initial public offering, the Company granted the agent an option to purchase an aggregate of 200,000 common shares for a period of 24 months from the date of the grant. The agent's options have an exercise price of $0.10 per share, vested immediately and expire May 21, 2012. On August 25, 2010 the agent exercised 60,000 stock options for proceeds to the Company of $6,000.

The Company fully recognized $11,379 fair value of these options as share issuance costs. The fair value of the options granted to the agent was estimated at the date of granting using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 1.80%, dividend rate of 0%, volatility factor of 109%, and a weighted average expected life of 2 years. The grant-date fair value of agent's options granted during the period is $0.06.

The following is a summary of the changes in the Company's outstanding and exercisable agent's stock options as at July 31, 2011:

	Number of Options	**Weighted Average Exercise Price**
Balance, January 31, 2011 and July 31, 2011	140,000	$ 0.10

8. RELATED-PARTY TRANSACTIONS

Balances and transactions with related parties not disclosed elsewhere in these financial statements are as follows:

For the period ended July 31, 2011, the Company paid a total of $3,000 (January 31, 2011 - $4,000) to a company owned by one of its directors for accounting and administrative services and the preparation of its financial reports.

9. FINANCIAL RISK MANAGEMENT

The Company's financial assets consist of cash and cash equivalents and short term investment. The estimated fair values of cash and cash equivalents and short term investment approximate their respective carrying values due to the short period to maturity.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

a. Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
b. Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
c. Level 3 – inputs that are not based on observable market data.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short-term cash requirements. The Company's cash and cash equivalents are currently invested in business accounts which are available on demand by the Company for its operations.

Interest Rate Risk

The Company invests part of the cash balance in a variable rate GIC at rate of Prime minus 1.85%. Any change to market rates result in interest rate risk. The exposure to interest rate risk, however, is limited due to the short term nature of variable rate GIC.

Foreign Exchange Risk

The Company's functional and reporting currency is the Canadian dollar. Occasional transactions may occur internationally giving rise to exposure to changes in foreign exchange rates. The currency risk is derived primarily from payments related to investing activities denominated in currencies other than the Canadian dollar. To limit the impact of fluctuations of the Canadian dollar over the foreign currencies, the Company matches, in general and when possible, the cash receipts in a foreign currency with the cash disbursements in the same foreign currency. The Company does not use derivative financial instruments to cover the variability of cash flows in foreign currencies.

Credit Risk

Credit risk is the risk of a loss in a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is limited to its cash and cash equivalents and short term investment. The Company limits its exposure to credit risk by holding its cash and short term investment in deposits with high credit quality Canadian financial institutions.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain its CPC status. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to identify and evaluate assets or businesses with a view to purchase, amalgamation, merger or arrangement with another Company or by other means, in compliance with the CPC Policy.

The Company is still dependent on external financing to fund its activities with respect to the identification and evaluation of assets or businesses for acquisition, the maintenance of its status as a CPC, and the acquisition, if any, of a qualifying business to complete a transition from being a CPC to being, at a minimum, a Tier 2 listed Company on the Exchange. The Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended July 31, 2011.

11. COMMITMENTS AND CONTINGENCIES

The Company does not have any commitments or contingencies.

12. FIRST TIME ADOPTION OF IFRS

Transition to IFRS

The accounting policies set out in note 4 have been applied consistently in preparing the unaudited interim financial statements for the three and six months ended July 31, 2011, the comparative information presented in these interim financial statements for the year ended January 31, 2011 and in the preparation of an opening IFRS balance sheet at February 1, 2010, the Company’s date of transition.

The application of IFRS 1 requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was February 1, 2010 (the “Transition Date”). IFRS provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Initial elections upon adoption

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

- Share-based payments

  The Company elected to use the IFRS exemption whereby the liabilities for share-based payments that had vested or settled prior to January 1, 2010 were not required to be retrospectively restated.

Exemptions under IFRS 1

The following mandatory exemption was applied in the conversion from Canadian GAAP to IFRS:

- Estimates

  IFRS 1 prohibits use of hindsight to create or revise previous estimates. The estimates the Company previously made under Canadian GAAP have not been revised for application of IFRS.

Reconciliation of Statement of Financial Position from Canadian GAAP to IFRS.

Reconciliation as at February 1, 2010 (the Transition Date)	**Canadian GAAP**	**Total IFRS Adjustments**	**IFRS**

ASSETS			
Current assets			
Cash and cash equivalents	$ 2,312	-	$ 2,312
Sales tax receivable	1,200	-	1,200
Short-term investment	70,000	-	70,000
	73,512	-	73,512
DEFERRED FINANCE CHARGES	24,500	-	24,500
TOTAL ASSETS	$ 98,012	-	$98,012
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ -	-	$ -
SHAREHOLDERS' EQUITY			
Share Capital	100,000	-	100,000
Contributed Surplus	-	-	-
Deficit	(1,988)	-	(1,988)
	98,012	-	98,012
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 98,012	-	$ 98,012

Reconciliation of assets, liabilities, and equity as at January 31, 2011	**Canadian GAAP**	**Total IFRS Adjustments**	**IFRS**
ASSETS			
Current assets			
Cash and cash equivalents	$ 21,780	-	$ 21,780
Sales tax receivable	236	-	236
Short-term investment	176,204	-	176,204
	198,220	-	198,220
DEFERRED FINANCE CHARGES	-	-	-
TOTAL ASSETS	$ 198,220	-	$198,220
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 471	-	$ 471
SHAREHOLDERS' EQUITY			
Share Capital	219,941	-	219,941
Contributed Surplus	37,820	-	37,820
Deficit	(60,012)	-	60,012)

	197,749	-	197,749
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 198,220	-	$ 198,220

Reconciliation of assets, liabilities, and equity as at July 31, 2010	**Canadian GAAP**	**Total IFRS Adjustments**	**IFRS**
ASSETS			
Current assets			
Cash and cash equivalents	$ 216	-	$ 216
Sales tax receivable	996	-	996
Short-term investment	205,000	-	205,000
	206,212	-	206,212
DEFERRED FINANCE CHARGES	-	-	-
TOTAL ASSETS	$ 206,212	-	$ 206,212
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 1,309	-	$ 1,309
SHAREHOLDERS' EQUITY			
Share Capital	221,906	-	221,906
Contributed Surplus	-	-	-
Deficit	(17,003)	-	(17,003)
	204,903	-	204,903
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 206,212	-	$ 206,212

Reconciliation of Comprehensive Loss For the year to date period ended	**Notes**	**January 31, 2011**	**July 31, 2010**
		$	**$**
Comprehensive Income (Loss) under Canadian GAAP		(60,012)	(15,015)
Differences increasing (decreasing) reported net earnings:			
Expenditures		-	-
Finance Charges		-	-
Finance Revenue		-	-
Comprehensive income under IFRS		(60,012)	(15,015)

The Company has determined that the transition from Canadian GAAP to IFRS has had no effect on the Company at this time, due to the nature of its business.

13. COMPLETION OF QUALIFYING TRANSACTION

On August 19, 2011, the Company announced the closing of the Acquisition.