ANSUE CAPITAL CORP.

FINANCIAL STATEMENTS

JANUARY 31, 2011 and 2010

Chang Lee LLP

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Ansue Capital Corp.

We have audited the accompanying financial statements of Ansue Capital Corp. (the "Company"), which comprise the balance sheets as at January 31, 2011 and 2010, the statements of operations, comprehensive loss and deficit, and cash flows for the year ended January 31, 2011 and for the period from December 3, 2009 (inception) to January 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2011 and 2010 and its results of operations and its cash flows for the year ended January 31, 2011 and for the period from December 3, 2009 (inception) to January 31, 2010 in accordance with Canadian generally accepted accounting principles.

CHANG LEE LLP
Chartered Accountants

Vancouver, BC, Canada
March 31, 2011

ANSUE CAPITAL CORP.

(A Capital Pool Company)

BALANCE SHEETS

As at	**January 31, 2011**	**January 31, 2010**
ASSETS		
CURRENT		
Cash and cash equivalents	$ 21,780	$ 2,312
Sales tax receivable	236	1,200
Short-term investment (Note 3)	176,204	70,000
	198,220	73,512
DEFERRED FINANCE CHARGES	-	24,500
TOTAL ASSETS	$ 198,220	$ 98,012
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 471	$ -
SHAREHOLDERS' EQUITY		
Share Capital (Note 4)	219,941	100,000
Contributed Surplus (Note 5)	37,820	-
Deficit	(60,012)	(1,988)
	197,749	98,012
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 198,220	$ 98,012

Approved on behalf of the Board:

"Suzanne Wood"
Director

"Dale Peterson"
Director

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

ANSUE CAPITAL CORP.
(A Capital Pool Company)
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	For the Year Ended January 31, 2011	December 3, 2009 (inception) to January 31, 2010
OPERATING EXPENSES		
Business evaluation costs	$ 15,440	$ -
General office expenses	1,925	599
Professional fees	4,557	749
Shareholder communication	175	-
Stock-based compensation	29,855	-
Transfer agent and filing fees	7,506	640
	59,458	1,988
OTHER INCOME		
Interest Income	1,434	-
NET (LOSS) AND COMPREHENSIVE (LOSS) FOR THE PERIOD	(58,024)	(1,988)
RETAINED EARNINGS (DEFICIT), Beginning of Period	(1,988)	-
RETAINED EARNINGS (DEFICIT), End of Period	$ (60,012)	$ (1,988)
LOSS PER SHARE, Basic And Diluted	$ (0.02)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, Basic and Diluted	3,467,233	466,667

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

ANSUE CAPITAL CORP.
(A Capital Pool Company)
STATEMENTS OF CASH FLOWS

	For the Year Ended January 31, 2011	December 3, 2009 (inception) to January 31, 2010
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net (Loss) for the period	$ (58,024)	$ (1,988)
Adjustments for items not involving cash:		
Stock-based compensation	29,855	-
Accrued interest income	(1,204)	-
Changes in non-cash working capital items:		
Sales tax receivable	964	(1,200)
Accounts payable and accrued liabilities	471	-
	(27,938)	(3,188)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Deferred finance charges	24,500	(24,500)
Issuance of common shares	206,000	100,000
Share issuance costs	(78,094)	-
	152,406	75,500
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Short–term investment	(105,000)	(70,000)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,468	2,312
Cash and Cash Equivalents, beginning of period	2,312	-
Cash and Cash Equivalents, end of period	$ 21,780	$ 2,312
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

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

1. NATURE OF OPERATIONS

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.

As of January 31, 2011, the Company had no business or material assets, other than cash and cash equivalents, receivable and short term investment. The Company proposes to identify and evaluate 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.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The proposed business of the Company involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment and even if so identified and warranted, it may not be able to finance such acquisition or investment. Additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it. Further, there is no assurance that businesses acquired will be profitable.

2. SIGNIFICANT ACCOUNTING POLICIES

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 January 31, 2011 and 2010, the Company's cash and cash equivalents consist of cash only.

b) Deferred Share Issuance Costs

In accordance with Emerging Issues Committee 94, the Company defers direct and incremental costs incurred in connection with the issuance of share capital pursuant to its Initial Public Offering as a non-current asset and charges the costs against share capital when the Initial Public Offering is completed or to operations when the Initial Public Offering is abandoned. In May 2010, the Company completed its initial public offering and all deferred finance charges have now been charged to share capital.

c) Use of Estimates

In preparing the Company's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Income / 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 Instruments - recognition and measurement

The Company has made the following classifications:

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.

Accounts payable and accrued liabilities is classified as other financial liabilities and is initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections 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 the new Handbook sections in Note 7 to these financial statements.

f) Comprehensive Income

Comprehensive income is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income. The historical make up of net income has not changed. Other comprehensive income includes gains or losses, which generally accepted accounting principles requires be recognized in a period, but excluded from net income for that period. The Company has no other comprehensive income during the periods ended January 31, 2011 and 2010.

g) Future income taxes

Income taxes are accounted for using the future income tax method. Under this method, income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are more likely than not to be realized. Future income tax assets and liabilities are measured using tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

Due to the uncertainty regarding the Company's future profitability, the future tax benefits of its losses have been fully reserved for and no net tax benefit has been recorded in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Stock-based compensation

In accordance with *CICA Handbook Section 3870 ("Section 3870*"), *Stock-Based Compensation and Other Stock-Based Payments*, 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.

i) Future accounting policies

In February 2008, the Accounting Standards Board (AcSB) confirmed that Canadian public companies will have to adopt International Financial Reporting Standards (IFRS) effective for years beginning on or after January 1, 2011. IFRS will replace Canada's current generally accepted accounting principles. Companies will be required to provide comparative IFRS information for the previous fiscal year.

The Company anticipates implementation of these standards in its first quarter of fiscal year 2012 and is continuing to assess the impact this new framework will have on its financial statements. The Company's management will continue to monitor the transitional developments and provide disclosures of the key elements of our plan, including accounting policies, financial reporting, information technology, and progress as information becomes available during the transition period.

To transition to IFRS, the Company must apply "IFRS 1 – First Time Adoption of IFRS" which sets out the rules for first time adoption. In general, IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for the entity's first IFRS financial statements. IFRS 1 contains certain mandatory and optional exemptions that the Company is currently assessing.

Management has commenced a comprehensive review of the impact of IFRS on the Company's financial statements. The objective of this review is to highlight, initially, all potential differences that are significant to the Company.

At the completion of this assessment, management will be in a position to disclose all major differences possibly impacting the Company's financial statements and to begin quantification of the effects. The review is currently underway with preliminary results indicating very minor effects on the Company due to the nature of its business. Concurrently, management is also evaluating its internal reporting structure, to determine if any changes may be required.

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. Prospective application of the standard is effective January 1, 2011, with early adoption permitted.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Future accounting policies (continued)

The CICA concurrently issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests” which replace Section 1600 “Consolidated Financial Statements”. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 “Business Combinations”. This new section will only have an impact on the Company’s financial statement for future acquisitions upon completion of its Qualifying Transaction.

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence (“VSOE”) or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the abstract is adopted early, in a reporting period that is not the first reporting period in the entity’s fiscal year, it must be applied retroactively from the beginning of the Company’s fiscal period of adoption. The Company is currently assessing the future impact of these amendments on its financial statements and has not yet determined the timing and method of its adoption.

3. SHORT-TERM INVESTMENT

As at January 31, 2011 and 2010, short-term investment was made for a period less than 12 months depending on the immediate cash requirements of the Company and can earn interest after 30 days at the rate of Bank of Montreal’s prime rate less 1.85 % per year.

4. SHARE CAPITAL

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

(b) Issued:

	Number of Shares	Amount
Balance, beginning of period	**-**	**$ -**
Issued during the period ended January 31, 2010		
- Private placement at $0.05 per share	2,000,000	$ 100,000
Balance, January 31, 2010	**2,000,000**	**$100,000**
Issued during the year ended January 31, 2011		
- Initial public offering at $0.10 per share	2,000,000	$200,000
Less: share issuance costs	-	(89,473)
- Exercise of Agent's Options, August 2010	60,000	6,000
- Contributed surplus reclassified as the result of exercise of agent's options	-	3,414
Balance, January 31, 2011	**4,060,000**	**$ 219,941**

On January 18, 2010, the Company issued an aggregate of 2,000,000 common shares at a price of $0.05 per common share to directors of the Company for total proceeds of $100,000.

On May 14, 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. 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.

On August 25, 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. During the year ended January 31, 2011, the Company recognized $11,379 of the fair value of agent's options to share issuance costs (Note 4(e)).

4. SHARE CAPITAL (continued)

(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.

(d) 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 as at January 31, 2011 are summarized as follows:

	Number of Options	**Weighted Average Exercise Price**
Opening balance, January 31, 2010	-	-
Granted	400,000	$ 0.10
Exercisable, January 31, 2011	400,000	$ 0.10

For the period ended January 31, 2010, the Company did not have any stock options outstanding.

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.

4. SHARE CAPITAL (continued)

(d) Stock Options: (continued)

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:

	January 31, 2011
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.

(e) 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.

During the year ended January 31, 2011, 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 year is $0.06.

4. SHARE CAPITAL (continued)

(e) Agent Options: (continued)

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

	Number of Options	Weighted Average Exercise Price
Opening balance, January 31, 2010	-	-
Granted	200,000	$ 0.10
Exercised	(60,000)	$ 0.10
Exercisable, January 31, 2011	140,000	$ 0.10

For the period ended January 31, 2010, the Company did not have any agent's options outstanding.

5. CONTRIBUTED SURPLUS

As at January 31, 2011 and January 31, 2010, contributed surplus was $37,820 and $ nil respectively. The increase was mainly the result of stock-based compensation calculated on stock options granted to directors and agent during the year ended January 31, 2011.

	Amount
Opening balance, January 31, 2010	$ -
Stock options	29,855
Agent's options	11,379
Reclassified to share capital upon exercise of agent's option	(3,414)
Exercisable, January 31, 2011	$ 37,820

6. INCOME TAXES

The potential benefit of net operating loss carry forwards has not been recognized in the financial statements since the Company cannot be assured that it is more likely than not that such benefit will be utilized in future years. The components of the net future tax asset, the effective rate and the elected amount of the valuation allowance are as follows:

	January 31, 2011	January 31, 2010
Statutory rate	26.5%	28%
Income taxes recovery computed at the effective tax rate	$ 15,400	$ 560
Stock based compensation not deductible for tax purposes	(7,900)	-
Adjustment for temporary timing differences: Share issuance costs	10,200	-
Effect of change in income tax rate	(1,600)	-
Tax benefit not utilized	(16,100)	(560)
Income tax recovery (expense)	$ -	$ -

The approximate tax effects of each type of temporary difference that gives rise to future tax assets are as follows:

	January 31, 2011	January 31, 2010
Non-capital loss carry forwards	$ 11,400	$ 560
Share issuance cost	15,600	-
Less: valuation allowance	(27,000)	(560)
Net future tax assets	$ -	$ -

Due to the uncertainty surrounding the realization of future income tax assets, the Company has made a 100% valuation allowance against its future income tax assets.

As at January 31, 2011, the Company has non-capital losses of approximately $45,766 (2010 - $1,988) which may be carried forward and applied against taxable income in future years, subject to final determination by tax authorities and expiring as follows:

2030	$ 560
2031	$ 45,206

7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Fair value

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. The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in CICA Handbook section 3862 – Financial Instruments – Disclosures.
For the year ended January 31, 2011, the fair value of cash and cash equivalents and short-term investment were measured using Level 1 inputs.

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2011, the Company had cash and cash equivalents, sales tax receivable and a short-term investment balance of $21,780, $236 and $176,204 respectively, against total liabilities of $471. The Company believes that these sources will be sufficient to cover the expected short and long term cash requirements.

(c) 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.

(d) Currency 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.

(e) 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.

8. 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 year ended January 31, 2011.

9. RELATED PARTY TRANSACTIONS

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

(a) For the year ended January 31, 2011, the Company paid a total of $4,000 (January 31, 2010 - $0) to a company owned by one of its directors for accounting and administrative services and the preparation of its financial reports.

10. SUBSEQUENT EVENT

On March 1, 2011 the Company entered into a letter of intent with respect to a proposed business combination (the “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. 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”) which comprise interests in silver properties located in Peru.

The structure of the business combination will be agreed upon by Southern Andes and the Company and will result in the issuance by the Company to Southern Andes of 100 million common shares. In order to obtain requisite financing to carry on business going forward, the Company intends to complete a financing of common shares for a minimum amount of C$4.0 million and a maximum amount of C$6.0 million at a price of C$0.15 per common share.

Subsequent to the closing of the Business Combination, the Company will call and hold a special meeting of shareholders to consider and approve, among other things, a consolidation of the shares of the Company currently anticipated to be on a three (pre-consolidation shares) for one (post-consolidation share) basis as well as a name change of the Company to a name selected by Southern Andes and approved by requisite regulatory authorities. As the majority shareholder of the Company, Southern Andes will vote its shares in favour of the consolidation and the name change.

Completion of the Business Combination is subject to a number of conditions, including but not limited to, negotiation and signing of a definitive agreement, Exchange acceptance and shareholder approval of the share consolidation and change of name of the Company. The Business Combination cannot close until all the conditions are satisfied. There can be no assurance that the Business Combination will be completed as proposed or at all.