LYNNWOOD CAPITAL INC.

FINANCIAL STATEMENTS

FEBRUARY 28, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Lynnwood Capital Inc.

We have audited the accompanying financial statements of Lynnwood Capital Inc. which comprise the balance sheets as at February 28, 2011 and 2010 and the statements of operations and deficit and cash flows for the year ended February 28, 2011 and for the period from incorporation on September 28, 2009 to February 28, 2010, and 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.

Auditors' 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 the 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 the auditors' 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 entity'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 entity'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, these financial statements present fairly, in all material respects, the financial position of Lynnwood Capital Inc. as at February 28, 2011 and 2010 and the results of its operations and its cash flows for the year ended February 28, 2011 and for the period from incorporation on September 28, 2009 to February 28, 2010 in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

May 25, 2011

LYNNWOOD CAPITAL INC.
BALANCE SHEETS
AS AT FEBRUARY 28

	2011	2010
ASSETS		
Current		
Cash	$ 401,879	$ 344,967
Receivables	6,760	-
	408,639	344,967
Deferred financing costs (Note 4)	-	5,000
	$ 408,639	$ 349,967
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 17,282	$ 16,000
Shareholders' equity		
Capital stock (Note 4)	511,091	350,000
Contributed surplus (Note 4)	79,038	-
Deficit	(198,772)	(16,033)
	391,357	333,967
	$ 408,639	$ 349,967

Continuance of operations (Note 2)

Subsequent event (Note 9)

On behalf of the Board:

"Robert Lipsett"
Robert Lipsett, CEO & Director

"George Brazier"
George Brazier, Director

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

LYNNWOOD CAPITAL INC.
STATEMENTS OF OPERATIONS AND DEFICIT

	Year Ended February 28, 2011	Period From Incorporation on September 28, 2009 to February 28, 2010
EXPENSES		
Accounting and audit	$ 15,600	$ 6,000
Business evaluation costs	25,000	-
Filing and transfer agent fees	31,584	-
Legal	20,957	10,000
Office and administration	2,178	33
Rent	11,083	-
Stock-based compensation (Note 4)	70,837	-
Telephone	1,564	-
Travel and promotion	3,936	-
Loss for the period	(182,739)	(16,033)
Deficit, beginning of period	(16,033)	-
Deficit, end of period	$ (198,772)	$ (16,033)
Basic and diluted loss per common share	$ (0.14)	$ -
Weighted average number of common shares outstanding	1,331,507	-

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

LYNNWOOD CAPITAL INC.
STATEMENTS OF CASH FLOWS

	Year Ended February 28, 2011	Period From Incorporation on September 28, 2009 to February 28, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (182,739)	$ (16,033)
Item not affecting cash:		
Stock-based compensation	70,837	-
Changes in non-cash working capital items:		
Receivables	(6,760)	-
Accounts payable and accrued liabilities	1,282	16,000
Net cash used in operating activities	(117,380)	(33)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash	210,000	350,000
Share issuance costs	(35,708)	-
Deferred financing costs	-	(5,000)
Net cash provided by financing activities	174,292	345,000
Change in cash for the period	56,912	344,967
Cash, beginning of period	344,967	-
Cash, end of period	$ 401,879	$ 344,967
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

During the year ended February 28, 2011, the Company granted 200,000 agents' options valued at $8,201. There were no significant non-cash financing or investing activities during the period from incorporation on September 28, 2009 to February 28, 2010.

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

1. INCORPORATION

The Company was incorporated under the Business Corporations Act (British Columbia) on September 28, 2009 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

2. CONTINUANCE OF OPERATIONS

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

Included in share capital are 7,200,000 common shares outstanding as of February 28, 2011 (2010 – 7,000,000) which are contingently cancelable and have been excluded from the weighted average number of shares outstanding.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading and receivables as loan and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

CICA Handbook Section 3862, Financial Instruments – requires disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

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

Fair value

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 401,879	$ -	$ -	$ 401,879

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation

The Company uses the fair value based method for measuring compensation costs.

Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

New accounting pronouncements

Business Combinations, Non-controlling Interests and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after March 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning March 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

International financial reporting standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after March 1, 2011. The transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011.

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares		Amount		Contributed Surplus
Authorized					
Unlimited common shares, without par value					
Common shares issued					
Shares issued for cash	7,000,000	$	350,000	$	-
Balance, as at February 28, 2010	7,000,000		350,000		-
Shares issued for cash	200,000		10,000		-
Initial public offering	2,000,000		200,000		-
Share issue costs	-		(40,708)		-
Agent's options	-		(8,201)		8,201
Stock-based compensation	-		-		70,837
Balance, as at February 28, 2011	9,200,000	$	511,091	$	79,038

The Company issued 7,000,000 seed common shares during the period ended February 28, 2010 and an additional 200,000 common shares during the year ended February 28, 2011 at a price of $0.05 per share for total proceeds of $360,000. The 7,200,000 common shares will be held in escrow and released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of a Final Exchange Bulletin by the TSX-V and as to the remainder 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 Company is delisted, the shares will be cancelled.

Initial public offering ("IPO")

On June 30, 2010, the Company completed its IPO and issued 2,000,000 common shares at a price of $0.10 per common share for total proceeds of $200,000. Pursuant to an engagement letter between the Company and Bolder Investment Partners Ltd. (the "Agent"), the Agent received a cash commission of $20,000, a work fee of $10,000 plus taxes, reimbursement of its expenses and legal fees of $10,708, and was issued non-transferable Agent's options to acquire up to 200,000 common shares at $0.10 per share exercisable for a period of 24 months from the date the common shares of the Company are listed on the TSX-V. The agent's options were valued at $8,201 using the Black-Scholes option pricing model (using a risk-free interest rate of 1.00%, an expected life of 2 years, annualized volatility of 75% and a dividend rate of 0%).

Stock options

The Company intends to adopt a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V. The options can be granted for a maximum term of 10 years and vest at the discretion of the board of directors.

Any common shares acquired pursuant to the exercise of options prior to the completion of the qualifying transaction must be deposited in escrow and will be subject to escrow until the final exchange bulletin is issued.

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock options (cont'd…)

On June 30, 2010, the Company granted, at the closing of its IPO, 900,000 stock options to directors and officers. Each option is exercisable into one common share of the Company at a price of $0.10 per share for ten years from the date of grant.

Stock option transactions are summarized as follows:

	Number Of Options		Weighted Average Exercise Price
Balance, September 28, 2009 and February 28, 2010	-	$	-
Incentive options granted	900,000		0.10
Agent's options granted	200,000		0.10
Balance, February 28, 2011	1,100,000	$	0.10
Number of options exercisable February 28, 2011	1,100,000	$	0.10

As at February 28, 2011, the following stock options are outstanding:

	Number Of Options	Exercise Price	Expiry Date
Incentive stock options	900,000	$ 0.10	June 30, 2020
Agent's options	200,000	$ 0.10	June 30, 2012

Stock-based compensation

The Company granted 900,000 stock options during the year ended February 28, 2011 resulting in stock-based compensation expense, using the Black-Scholes option-pricing model, of $70,837. The weighted average fair value of the stock options granted was $0.08 per option.

The following assumptions were used for the Black-Scholes valuation of stock options granted:

Risk-free interest rate:	2.00%
Expected life of options:	10 years
Annualized volatility:	75%
Dividend rate:	0%

5. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. Additional funds may be required to finance the Company's Qualifying Transaction.

6. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

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 February 28, 2011, the Company had a cash balance of $401,879 to settle current liabilities of $17,282. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. As of February 28, 2011, the Company has no interest bearing term deposits.

(b) Foreign currency risk

The Company does not have any assets or liabilities in a foreign currency.

6. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

7. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year Ended February 28, 2011	Period From Incorporation on September 28, 2009 to February 28, 2010
Loss for the period	$ (182,739)	$ (16,033)
Expected income tax-recovery	$ (51,472)	$ (4,809)
Non deductible items	19,953	-
Share issuance costs	(2,293)	-
Unrecognized benefit of non-capital losses	33,812	4,809
Total income tax recovery	$ -	$ -

The significant components of the Company's future income tax assets are as follows:

	February 28, 2011	February 28, 2010
Future income tax assets:		
Non-capital loss carry forwards	$ 34,000	$ 4,000
Share issuance costs	8,000	-
Valuation allowance	(42,000)	(4,000)
Net future income tax assets	$ -	$ -

7. INCOME TAXES (cont'd…)

The Company has available for deduction against future taxable income non-capital losses of approximately $136,000. These losses, if not utilized, will expire in 2031. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

8. RELATED PARTY TRANSACTIONS

During the year ended February 28, 2011, the Company paid or accrued accounting fees of $7,600 (2010 - $Nil) to an accounting firm of which an Officer of the Company is a partner. As of February 28, 2011, $3,000 (2010 - $Nil) in accounts payable and accrued liabilities was due to the accounting firm. The transaction was in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SUBSEQUENT EVENT

Subsequent to February 28, 2011, the Company issued 50,000 shares pursuant to 50,000 agent's options exercised at $0.10 per share.