ME RESOURCE CORP.

(formerly QMI Seismic Inc.)

Financial Statements

December 31, 2011

(Expressed in Canadian dollars)

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ME Resource Corp.

We have audited the accompanying financial statements of ME Resource Corp. which comprise the statements of financial position as at December 31, 2011, and 2010 and January 1, 2010, and the statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years ended December 31, 2011 and 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 International Financial Reporting Standards, 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 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 auditor's 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 that 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 ME Resource Corp. as at December 31, 2011 and 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about ME Resource Corp.'s ability to continue as a going concern.

/s/ DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 27, 2012

ME Resource Corp. (Formerly QMI Seismic Inc.)

Statements of Financial Position

(Expressed in Canadian dollars)

	Note	December 31, 2011 $	December 31, 2010 $ (Note 12)	January 1, 2010 $ (Note 12)
ASSETS				
Current assets				
Cash		5,876	73,843	1
Other receivables		18,864	3,590	-
		24,740	77,433	1
Licenses	4	-	1	-
Note receivable	4	1	1	-
		24,741	77,435	1
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		29,673	34,368	4,000
Due to related parties	7	84,061	20,628	-
Note payable	8	57,471	-	-
		171,205	54,996	4,000
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital	6	649,639	629,639	1
Reserves	6, 7	463,528	458,407	-
Deficit		(1,259,631)	(1,065,607)	(4,000)
		(146,464)	22,439	(3,999)
		24,741	77,435	1

Nature and Continuance of Operations (Note 1)

Approved and authorized for issuance by the Board of Directors on April 27, 2012

/s/ Navchand Jagpal
Director

/s/Gurdeep Johal
Director

See accompanying notes to financial statements

ME Resource Corp. (Formerly QMI Seismic Inc.)

Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Note	December 31, 2011	December 31, 2010
		$	$
Expenses			
Accretion	8	2,592	-
Advertising		850	2,000
Consulting	7	68,690	39,513
Filing fees		27,804	38,589
Financing fee	8	5,000	-
Office and administration	7	22,227	15,506
Professional fees		33,558	26,245
Stock-based compensation	6	-	418,545
Travel and entertainment		23,302	-
		(184,023)	(540,398)
Other items			
Loan loss provision	4	-	(521,209)
Write-off of license	1	(1)	-
Exploration and evaluation asset impairment	5	(10,000)	-
Net and comprehensive loss		(194,024)	(1,061,607)
Loss per share – basic and diluted		(0.01)	(0.08)
Weighted average number of common shares outstanding – basic and diluted		23,583,372	13,723,039

See accompanying notes to financial statements

ME Resource Corp. (formerly QMI Seismic Inc.)
Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

			Share capital		Reserves				
	Note	Number of shares	Amount	Subscription receivable	Stock-option reserve	Warrant	Loan Discount	Deficit	Total
			$	$	$	$	$	$	$
January 1, 2010	12	1	1	-	-	-	-	(4,000)	(3,999)
Net and comprehensive loss		-	-	-	-	-	-	(1,061,607)	(1,061,607)
Share cancellation		(1)	(1)	-	-	-	-	-	(1)
Shares issued for acquisition of license	1	17,583,372	1	-	-	-	-	-	1
Share issuance for cash	6	6,025,000	654,638	(25,000)	-	39,862	-	-	669,500
Stock based compensation	6	-	-	-	418,545	-	-	-	418,545
December 31, 2010		23,608,372	654,639	(25,000)	418,545	39,862	-	(1,065,607)	22,439
Net and comprehensive loss		-	-	-	-	-	-	(194,024)	(194,024)
Loan discount	8	-	-	-	-	-	5,121	-	5,121
Subscription receivable		-	-	20,000	-	-	-	-	20,000
Write-off of subscription receivable	6	(25,000)	(5,000)	5,000	-	-	-	-	-
December 31, 2011		23,583,372	649,639	-	418,545	39,862	5,121	(1,259,631)	(146,464)

See accompanying notes to financial statements

ME Resource Corp. (Formerly QMI Seismic Inc.)
Statements of Cash Flows
(Expressed in Canadian dollars)

	Note	December 31, 2011 $	December 31, 2010 $
Cash flows from operating activities			
Net loss		(194,024)	(1,061,607)
None cash items			
Accretion interest		2,592	-
Exploration and evaluation asset impairment		10,000	-
Stock-based compensation		-	418,545
Write-off of license	1	1	521,209
Changes in non-cash working capital items:			
Other receivables		(15,274)	(3,590)
Accounts payable and accrued liabilities		(4,695)	30,368
Due to related parties		63,433	20,628
		(137,967)	(74,447)
Cash flows from financing activities			
Capital stock issuance for cash		-	669,499
Promissory note	8	60,000	-
Subscriptions receivable		20,000	-
		80,000	669,499
Cash flows from investing activities			
Loan to Qtech	4	-	(521,210)
Exploration and evaluation assets	5	(10,000)	-
		(10,000)	(521,210)
Net change in cash		(67,967)	73,842
Cash, beginning		73,843	1
Cash, ending		5,876	73,843
Supplementary information:			
Cash paid for interest expense		-	-
Cash paid for income tax		-	-

See accompanying notes to financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

ME Resource Corp., formerly QMI Seismic Inc., (the "Company") was incorporated under the Business Corporation Act (British Columbia) on October 16, 2009. The Company's shares are traded on the Canadian National Stock Exchange under the symbol MEC. The Company's Head and Registered Office address is 1250 West Hastings Street, Vancouver, B.C.

Pursuant to a plan of arrangement (the "Agreement") between the Company and its former parent, RTN Stealth Software Inc. ("RTN"), dated November 2, 2009, the company acquired an exclusive license from RTN to distribute seismic sensor products (the "License"). In consideration for the acquisition of the License, the Company issued 17,583,372 common shares to RTN. During the year ended December 31, 2011, the Company decided to no longer pursue the distribution of seismic sensor products. The Company's current principal business activity is the exploration and development of exploration and evaluation assets.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2011, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities on its exploration and evaluation assets and its ability to attain profitable operations and generate funds there from and/or raise equity capital to meet current and future obligations. Subsequent to the year ended December 31, 2011, the Company received $140,000 from the exercise of warrants. Management is considering various options, including but not limited to having another equity financing, to finance operating costs over the next twelve months.

2. STATEMENT OF COMPLIANCE

The financial statements of the Company, including comparatives, have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These are the Company's first IFRS year-end financial statements, as previously the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The disclosures concerning this transition from GAAP to IFRS are provided in Note 12 .

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments which are measured at fair value. The financial statements are presented in Canadian dollars, the functional currency of the Company.

Loss per share

The Company presents the basic and diluted loss per share data for its common shares by dividing the loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Initial recognition and measurement

Financial assets and liabilities are initially recognized at fair value. Financial assets are classified at initial recognition as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The Company does not use any hedging instruments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the reliability of the inputs used to estimate the fair values. 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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification. Financial assets at fair value through profit or loss includes financial assets held-for-trading which represent assets that are acquired for the purpose of selling or repurchasing in the near term. These financial assets are initially recorded in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement at fair value, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Any amortization of the effective interest rate method and any impairment is recognized in the statement of comprehensive loss.

Held-to-maturity investments represent assets to be held until a specific time period and are initially measured at fair value, including transaction costs. After initial measurement at fair value, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Any amortization of the effective interest rate method and any impairment is recognized in the statement of comprehensive loss.

Available-for-sale financial assets are investments in equity instruments that are measured at fair value with gains and losses, net of applicable taxes, included in other comprehensive income until the asset is removed from the statement of financial position. Once this occurs, the resultant gains or losses are recognized in comprehensive loss. Any permanent impairment of available-for-sale financial assets is also included in the statement of comprehensive loss.

Financial liabilities are initially recorded at fair value and are designated as fair value through profit or loss or other financial liabilities. Derivative financial liabilities are classified as fair value through profit or loss and are initially recorded in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the statement of comprehensive loss. Non-derivative financial liabilities are recorded at amortized cost using the effective interest rate method. Any amortization of the effective interest rate method is recognized in the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets, others than those at fair value through profit and loss are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The amount of impairment loss is recognized in the statement of comprehensive loss. Any subsequent reversals of impairment is also recognized in the statement of comprehensive income (loss), except for those related to available-for-sale financial assets.

Share-based payments

The fair value of share options granted to employees is measured at the grant date and recognized over the vesting period with a corresponding increase in equity. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

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 period end, adjusted for amendments to tax payable with regards to previous years.

Current income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity.

Deferred income 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 carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

The amount of deferred income 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.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred income tax asset will be recovered, it provides a valuation allowance against that excess.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

Exploration costs are charged to operations as incurred. Any government tax credits received are recorded as a reduction of the related exploration costs. When it has been established that mineral reserves are determined to be proven and probable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized.

Exploration and evaluation asset acquisition costs are capitalized. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated proven and probable reserves.

The Company's exploration and evaluation assets are assessed for impairment when the facts and circumstances suggest that the carrying amounts of the exploration and evaluation assets may exceed their recoverable amount.

The Company's criterion for testing impairment includes, but is not limited to, when:

i) Exploration rights for a specific area expired or are expected to expire in the near future and these rights are not expected to be renewed;
ii) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
iii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area;
iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an impairment test is performed and, as a result of this test, it is determined that the carrying amount of an exploration and evaluation asset exceeds its recoverable amount, a provision is made for the decline in value and charged against operations in the year.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Asset retirement and environmental obligations

The fair value of a liability for an asset retirement or environmental obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement or environmental obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement or environmental cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of December 31, 2011 and 2010, the Company does not have any asset retirement or environmental obligations.

Significant accounting judgments and estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

SIGNIFICANT ACCOUNTING POLICIES (continued)*Exploration and evaluation assets*
The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after acquisition expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income and loss when the new information becomes available.

Other
Other areas where the Company is required to make judgments, estimates and assumptions are the determination of deferred income tax amounts and the assessment of whether deferred tax assets should be recognized and management's assumptions and estimates related to going concern considerations.

Accounting standards and amendments issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of these standards and or determined whether it will early adopt them.

IFRS 9, *Financial Instruments,* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment.

IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12, *Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards and amendments issued but not yet adopted (continued)

IFRS 11, *Joint Arrangements*, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

There have been amendments to existing standards, including IAS 27, *Separate Financial Statements* (IAS 27), and IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

IAS 19, *Employee Benefits*, has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in other comprehensive income as they arise, without subsequent recycling to net income. This is consistent with the Company's current accounting policy. Past service cost (which will now include curtailment gains and losses) will no longer be recognized over a service period but instead will be recognized immediately in the period of a plan amendment. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component will be calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short term and other long-term benefits, guidance on the treatment taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards and amendments issued but not yet adopted (continued)

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. Stripping activity may create two types of benefit: i) inventory produced and ii) improved access to ore. Stripping costs associated with the former should be accounted for as a current production cost in accordance with IAS 2, *Inventories*. The latter should be accounted for as an addition to or enhancement of an existing asset.

IFRS 7, *Financial Instruments: Disclosures*, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted.

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been amended for two changes. This eliminates the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The amendment is effective for annual periods beginning on or after July 1, 2011 with earlier application permitted.

IAS 12, *Income Taxes*, was amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale when considering the expected manner or recovery or settlement. SIC 21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets*, will no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

(Expressed in Canadian Dollars)

4. ACQUISITION AGREEMENT

In July 2010, the Company entered an agreement to acquire 100% of QMI Technologies ("Qtech") from QMI Manufacturing Inc. ("Qmanu"). The Company issued and subsequently cancelled 20,400,401 common shares for the acquisition as the Company was unable to obtain control of Qtech and the terms of the agreement were not met. Accordingly, the Company did not consolidate the operating results of Qtech for the year ended December 31, 2010.

As at December 31, 2010, the Company had a balance owing of $521,210 due from Qtech. On March 31, 2011, the Company agreed to convert the $521,210 balance owing into a $400,000 promissory note. The note bears interest at 2% per annum, compounds monthly, and is due and payable in three instalments: $50,000 on March 31, 2012, $50,000 on March 31, 2013, and $300,000 and accrued interest on March 31, 2014. The note is secured by a general security agreement over the assets of Qtech.

The Company did not receive the $50,000 due on March 31, 2012. Due to the uncertainty with of collectability, the Company recorded a loan loss provision of $521,209 during the year ended December 31, 2010.

5. EXPLORATION AND EVALUATION ASSETS

In June 2011, the Company entered into an option agreement to acquire a 100% undivided interest in two exploration and evaluation assets in Kamloops, B.C.

Under the option agreement, the Company paid $6,500 upon obtaining shareholder approval for the transaction.

During the year ended December 31, 2011, management determined that both exploration and evaluation assets were fully impaired.

	December 31, 2010	Addition	December 31, 2011
	$	$	$
Acquisition costs	-	6,500	6,500
Deferred exploration and development costs	-	3,500	3,500
Impairment	-	(10,000)	(10,000)
	-	-	-

6. SHARE CAPITAL

Authorized share capital: An unlimited number of common shares without par value
An unlimited number of preferred shares without par value

In April 2010, the Company issued 2,000,000 units at a price of $0.05 per unit for proceeds of $100,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase, for a period of two years, an additional common share at a price of $0.07. The fair value of the warrants at the date of issue was $22,690.

In August 2010, the Company issued 1,000,000 units at a price of $0.05 per unit for proceeds of $50,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase, for a period of two years, an additional common share at a price of $0.07. The fair value of the warrants at the date of issue was $17,172

In November, 2010, the Company issued 3,025,000 common shares at $0.20 per common share for gross proceeds of $605,000. Finder's fees of $60,500 were paid. As at December 31, 2010, there was $25,000 in subscriptions receivable. During the year ended December 31, 2011, $5,000 of the share subscriptions were uncollectible and the related shares have been cancelled.

The fair value of the warrants was determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 152%, expected life of 2 years and risk free interest rate of 2% and dividend yield of 0%.

Stock options

The Company has a stock option plan which provides that the Board of Directors of the Company may grant to directors, officers, employees, and consultants to the Company, non-transferable options to purchase common shares. The number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the stock option plan can have a maximum exercise term of 5 years from the date of grant.

On November 18, 2010, the Company issued 2,100,000 options for a consulting agreement. The options are exercisable at $0.20 for a period of five years, and were fully vested upon grant. The fair value of the options was estimated to be $418,545. The fair value of the options was determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 260%, expected life of 5 years and risk free interest rate of 2.4%. On April 20, 2011, all of the 2,100,000 stock options were cancelled.

There were no stock options granted or exercised during the year ended December 31, 2011. As at December 31, 2011, there were no stock options outstanding.

Warrants

As at December 31, 2011 and 2010, the Company had 3,000,000 common share purchase warrants outstanding.

The weighted average exercise price and the weighted average life of warrants outstanding as at December 31, 2011 are $0.07 and 0.42 years, respectively.

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the Company incurred consulting fees of $60,000 (2010 - $17,000) to a company controlled by the Company's chief executive officer, $800 (2010 - $6,162) to a company controlled by the Company's chief financial officer and $5,720 (2010 - $Nil) to a director of the Company.

During the year ended December 31, 2011, the Company incurred $15,000 (2010 - $3,750) in rent expense to a company controlled by the Company's former director.As at December 31, 2011, the Company owed $82,200 (2010 - $15,000) to a company controlled by the Company's chief executive officer, $Nil (2010 - $1,878) to a company controlled by the Company's chief financial officer and $18,450 (2010 - $3,750) to a former director of the Company.

As at December 31, 2011, $16,589 (2010 - $Nil) was owing to the Company from the Company's chief executive officer.

Amounts due to related parties are unsecured, non-interest bearing and payable on demand.

8. NOTE PAYABLE

On August 28, 2011, the Company entered into a loan agreement to borrow $60,000 to meet its operational cash requirements. The amount is unsecured, bears interest at 7% per annum and convertible to common shares of the Company at $0.50 per share through mutual consent by both the borrower and the lender. As the loan bears interest at below market rates, the fair value of the loan was determined to be $54,879 at August 28, 2011 using an effective interest rate of 15%. As at December 31, 2011, the loan had accreted up to $57,471 and an interest charge of $2,592 was recognized. A financing fee of $5,000 was incurred in relation to the issuance of the loan.

9. CAPITAL DISCLOSURE

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors.

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions.

10. FINANCIAL INSTRUMENTS AND RISKS MANAGMENT

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government taxes

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Currency Risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not incur significant expenditures that are denominated in foreign currencies, and does not have any mineral property commitments that are denominated in foreign currencies. Therefore, the Company's exposure to currency risk is minimal.

Interest Rate Risk
Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have material financial assets or liabilities that are exposed to fluctuation of interest rate. As a result, the exposure to interest rate risk is not significant.

(Expressed in Canadian Dollars)

11. INCOME TAXES

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2011 **$**	**2010** **$**
Loss before income taxes	194,024	1,061,607
Statutory tax rate	27.00%	28.50%
Income tax recovery at statutory rates	(52,387))	(303,698)
Non-deductible items	5,775	263,745
Income tax rate changes and others	(87,348)	5,107
Change in valuation allowance	133,960	34,846
Deferred income tax expense	**-**	**-**

The Company's tax-effected deferred income tax assets and liabilities are estimated as follows:

	2011 **$**	**2010** **$**
Deferred income tax assets (liabilities):		
Non-capital loss carryforward	201,425	36,047
Cumulative eligible capital	-	21,818
Mineral properties	2,500	-
Others	-	12,100
Total future income tax assets	203,925	69,965
Less: Valuation allowance	(203,925)	(69,965)
Net deferred income tax assets	**-**	**-**

The expiration of these losses is as follows:

Year	**Amount** **$**
2029	4,000
2030	140,316
2031	661,382
Total	805,698

12. TRANSITION TO IFRS

These are the Company's first annual financial statements prepared in accordance with IFRS as issued by the IASB. The significant accounting policies set out in the Note 3 have been applied in preparing the financial statements for the years ended December 31, 2011 and 2010 and the preparation of an opening IFRS balance sheet at January 1, 2010 (the Company's date of transition).

First-time adoption of IFRS
IFRS 1 sets forth guidance for the initial adoption of IFRS and outlines optional exemptions that may be adopted on the first-time adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to the statement of financial position taken to deficit unless certain exemptions are applied. The Company did not use the exemptions listed in IFRS 1.

The adoption of IFRS had no impact on the Company's financial position, financial performance and cash flows.

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

Changes to accounting policies
The Company has changed certain accounting policies to be consistent with IFRS. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

Reconciliation of Canadian GAAP to IFRS
Except for the reclassification between equity accounts from contributed surplus, the Canadian GAAP term used for this account, to reserves, the IFRS term for this account, the adoption of IFRS had no impact on the Company's financial position at January 1, 2010 and December 31, 2010 or its financial performance or cash flows for the year ended December 31, 2010.