KR INVESTMENT LTD.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
AUGUST 31, 2011 AND THE PERIOD
FROM INCEPTION ON AUGUST 3, 2010
TO AUGUST 31, 2010**

(Expressed in Canadian Dollars)

KR INVESTMENT LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011 AND THE PERIOD FROM INCEPTION ON AUGUST 3, 2010 TO AUGUST 31, 2010

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MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
KR Investment Ltd.

We have audited the accompanying financial statements of KR Investment Ltd. which comprise the balance sheets as at August 31, 2011 and 2010, and the statements of operations, comprehensive loss and deficit and cash flows for the year ended August 31, 2011 and for the period from inception on August 3, 2010 to August 31, 2010, and the related 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.

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 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, we consider 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 based on 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 KR Investment Ltd. as at August 31, 2011 and 2010, and the results of its operations and its cash flows for the year ended August 31, 2011 and for the period from inception on August 3, 2010 to August 31, 2010 in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of KR Investment Ltd. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

November 28, 2011

KR INVESTMENT LTD.

BALANCE SHEETS

AS AT AUGUST 31, 2011 AND 2010

	2011 $	2010 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	254,105	209,864
Amount receivable	32	-
	254,137	209,864
DEFERRED FINANCING COSTS	-	1,680
	254,137	211,544
LIABILITIES		
CURRENT LIABILITIES		
Accounts payables and accrued liabilities	1,299	5,799
Due to related party (Note 6)	11,100	11,100
	12,399	16,899
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	260,074	197,760
Contributed surplus (Note 5)	53,034	-
Deficit	(71,370)	(3,115)
	241,738	194,645
	254,137	211,544

NATURE OF OPERATIONS (Note 1)
COMMITMENT (Note 6)

Approved on behalf of the Board: *"Ki Bong Cho"* Ki Bong Cho, Director *"S. John Kim"* S. John Kim, Director

The accompanying notes are an integral part of these financial statements

KR INVESTMENT LTD.

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE YEAR ENDED AUGUST 31, 2011 AND THE PERIOD FROM INCEPTION ON AUGUST 3, 2010 TO AUGUST 31, 2010

	Year Ended August 31, 2011 $	Period from Inception on August 3, 2010 to August 31, 2010 $
REVENUE	-	-
EXPENSES		
Accounting and legal	14,560	3,115
Bank charges	491	-
Rent (Note 6)	8,960	-
Stock-based compensation (Note 4 (d))	36,601	-
Telephone	646	-
Transfer agent and filing fees	5,735	-
Travel	1,262	-
	68,255	3,115
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(68,255)	(3,115)
DEFICIT, BEGINNING OF YEAR	(3,115)	-
DEFICIT, END OF YEAR	(71,370)	(3,115)
LOSS PER SHARE		
Loss Per Share – Basic and Diluted	(0.01)	(0.02)
Weighted Average Shares Outstanding	4,876,712	142,860

The accompanying notes are an integral part of these financial statements

KR INVESTMENT LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2011 AND THE PERIOD FROM INCEPTION ON AUGUST 3, 2010 TO AUGUST 31, 2010

	Year Ended August 31, 2011 $	Period from Inception on August 3, 2010 to August 31, 2010 $
OPERATING ACTIVITIES		
Net loss for the year	(68,255)	(3,115)
Item not involving cash:		
Stock-based compensation	36,601	-
	(31,654)	(3,115)
Changes in operating assets and liabilities:		
Amount receivable	(32)	-
Accounts payable and accrued liabilities	(4,500)	5.799
	(36,186)	2,684
FINANCING ACTIVITIES		
Advances from a related party	-	11,100
Common shares issued for cash	200,000	200,000
Share issuance and deferred financing costs	(119,573)	(3,920)
	80,427	207,180
INCREASE IN CASH AND CASH EQUIVALENTS	44,241	209,864
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	209,864	-
CASH AND CASH EQUIVALENTS, END OF YEAR	254,105	209,864
CASH AND CASH EQUIVALENTS		
Demand deposits	254,105	200,000
Cash held in trust	-	9,864
	254,105	209,864
NON-CASH INVESTING AND FINANCING ACTIVITY		
Agent’s options issued for share issuance costs	16,433	-
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	-	-
Income taxes	-	-

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

KR Investment Ltd. (the "Company") was incorporated on August 3, 2010 under the Business Corporations Act (British Columbia). The Company is a Capital Pool Company ("CPC") as defined in TSX Venture Exchange Policy 2.4, and accordingly, its planned principal activity is to use its capital to investigate and find a business or group of assets to acquire (the "Qualifying Transaction"). The Company completed its initial public offering ("IPO") on March 24, 2011 and its common shares commenced trading on the TSX Venture Exchange on March 29, 2011.

The Company does not currently have operations or assets capable of generating ongoing revenues or cash flows and there is no certainty that it will complete a Qualifying Transaction within the twenty-four month time period specified by TSX Venture Exchange Policy 2.4.

Although these financial statements have been prepared and presented on a going concern basis, there is significant risk that the Company will not become a going concern, in which case this basis of presentation will not be appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates relate to the utilization of future income tax assets, tax rates and stock-based compensation. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash in accounts, cash held in trust and when applicable, securities that on acquisition have a term to maturity of three months or less, or may be redeemed during this period. These financial instruments are highly liquid marketable securities and deposits, which will be designated as held-for-trading and recorded at their fair values. Fair values are determined by reference to quoted market prices at the balance sheet date. Unrealized gains and losses on held-for-trading investments are recognized in income. Investment transactions will be recognized on the trade date with transaction costs included in the underlying balance. At each balance sheet date, the Company will assess for any impairment in value that is considered to be other than temporary, and record any write-downs in net loss for the period.

(d) Income Taxes

The Company follows the assets and liability method for determining income taxes. Under this method, future income tax assets and liabilities are recognized for temporary differences between the carrying amounts for financial statement purposes and the tax basis for certain assets and liabilities. Future income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be settled. A valuation allowance is recognized against future income tax assets if it is more likely than not that the asset will not be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities.

Financial assets and liabilities classified as held for trading are measured at fair value, with gains and losses recognized in net earnings. Available for sale financial assets with quoted market prices are measured at fair value, with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available for sale that do not have quoted market prices are in an active market are measured at cost.

Financial assets classified as held to maturity and loans and receivables are measured at amortized cost using the effective interest method of amortization. Financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest method of amortization.

Cash and cash equivalents are classified as held-for-trading and accounts payable and due to related party are classified as other financial liabilities.

(f) 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.

(g) Financing Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the transaction has been specifically identified and completion is considered likely; otherwise they are expensed as incurred. Share issuance costs are offset against share capital when the related shares are issued. Debt issuance costs will be offset against the related obligation when issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

(h) Comprehensive Loss

Comprehensive loss reflects net loss and other comprehensive income (loss) for the period. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method of calculating diluted per share amounts whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period they are outstanding.

3. RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

In February 2008, the CICA confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. This will result in the Company reporting under IFRS starting with the interim period ending November 30, 2011, with restatement for comparative purposes of amount reported under Canadian GAAP. The Company expects the transition to IFRS to impact accounting policies and financing reporting and is in the process of quantifying the extent of this impact.

4. SHARE CAPITAL

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

(b) Issued and Outstanding

	Number of Shares	Amount $
Balance, August 3, 2010	–	–
Issued for cash	4,000,001	200,001
Cancelled	(1)	(1)
Less: share issuance costs	–	(2,240)
Balance, August 31, 2010	4,000,000	197,760
Issued for cash	2,000,000	200,000
Less: share issuance costs	–	(137,686)
Balance as at August 31, 2011	6,000,000	260,074

On August 3, 2010, the Company issued 1 common share at a price of $1 and 1 common share at a price of $0.05. The first common share issued at $1 was subsequently returned to treasury and cancelled.

On August 5, 2010, the Company issued 2 common shares at a price of $0.05.

On August 30, 2010, the Company issued 3,999,997 common shares at a price of $0.05 per share for gross proceeds of $200,000. These shares were subscribed for by the Company's directors.

On March 24, 2011, pursuant to the initial public offering, the Company issued 2,000,000 common shares at a price of $0.10 per share for gross proceeds of $200,000.

4. SHARE CAPITAL (continued)

(b) Issued and Outstanding (continued)

On September 2, 2010, the Company entered into an agreement with its agent to commit to offer 2,000,000 common shares of the Company at a price of $0.10 per share for gross proceeds of $200,000 (the "IPO"). In connection with the IPO, the Company filed a preliminary prospectus on SEDAR on October 15, 2010, and agreed to pay to its agent a cash commission equal to 10% of the gross proceeds of the IPO (paid) and to issue agent options to acquire the number of common shares of the Company equal to 10% of the common shares issued under the IPO (issued). The agent options are exercisable at a price of $0.10 per share for a period of two years from the date the common shares are listed for trading on the TSX Venture Exchange. The fair value of the agent options, which was included in share issuance costs, was $16,433 which was determined using the Black-Scholes option pricing model with the following assumptions: an annualized volatility of 189%; and expected life of 2 years; a dividend yield rate of 0%; and a risk-free interest rate of 1.8%.

(c) Escrowed Shares

In conjunction with the Company's application to become a CPC, the 4,000,000 shares outstanding at November 30, 2010 will be held in escrow and released in accordance with TSX Venture Exchange Policy 2.4 over a period of up to 36 months from the date of the Final Exchange Bulletin following the completion of a Qualifying Transaction.

(d) Stock Options

The Company has established an incentive share option plan for granting options to directors, employees and consultants in accordance with the policies of the TSX Venture Exchange. On March 24, 2011, the Company granted 400,000 stock options to directors and officers of the Company at a price of $0.10 per share, exercisable from March 29, 2011 to March 29, 2021. The options vested fully on the date of grant. The fair value of the directors' and officers' stock options, which was expensed during the year, was $36,601 which was determined using the Black-Scholes option pricing model with the following assumptions: an annualized volatility of 104%; an expected life of 10 years; a dividend yield rate of 0%; and a risk-free interest rate of 3.5%.

(i) Directors' and Officers' Options

As at August 31, 2011, the following incentive stock options are outstanding:

	Number of Options Outstanding and Exercisable	Weighted Average Exercise Price	Expiry Date
Directors' and Officers' options	400,000	$0.10	March 29, 2021

(ii) Agent's Options

As at August 31, 2011, the following agent's options are outstanding:

	Number of Options Outstanding and Exercisable	Weighted Average Exercise Price	Expiry Date
Agent's options	200,000	$0.10	March 29, 2013

5. CONTRIBUTED SURPLUS

	$
Balance, August 3, 2010 and August 31, 2010	–
Directors' and officers' options	36,601
Agent's options	16,433
Balance, August 31, 2011	53,034

6. RELATED PARTY TRANSACTIONS AND BALANCES

On May 1, 2011, the Company entered into a lease agreement with a company controlled by a director of the Company for a period commencing May 1, 2011 and expiring on March 31, 2012 for the amount of $2,000 per month.

During the year ended August 31, 2011, the Company paid a total of $8,960 (Period from inception on August 3, 2010 to August 31, 2010: $nil) to this company.

As at August 31, 2011, a director of the Company had advanced $11,100 (2010: $11,100) to the Company. This advance is unsecured, non-interest bearing and due on demand.

These transactions were in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. INCOME TAXES

The following table reconciles the amount of income tax recoverable upon application of statutory Canadian federal and provincial income tax rates to the amount reported in these financial statements:

	Year Ended August 31, 2011 $	Period from Inception on August 3, 2010 to August 31, 2010 $
Net loss before income taxes	(68,255)	(3,115)
Statutory rate	27.2%	28.5%
Expected future income tax recovery	(18,565)	(888)
Permanent differences	(22,999)	–
Change in enacted tax rates	3,337	(60)
Change in valuation allowance	38,227	948
Future income tax recovery	–	–

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to reverse. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

7. INCOME TAXES (continued)

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

	August 31, 2011 $	August 31, 2010 $
Future income tax assets:		
Non-capital losses carried forward	14,867	779
Share issuance costs	24,587	448
Total future income tax assets	39,454	1,227
Valuation allowance	(39,454)	(1,227)
Net future income tax assets	–	–

The Company has $59,468 of non-capital losses that may be carried forward and applied against taxable income of future years. If unused, the non-capital losses will begin to expire in 2030.

8. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to complete a qualifying transaction to raise equity or other financing and to safeguard the Company's ability to continue as a going concern (see Note 1). The Company does not have any externally imposed capital requirements to which it is subject.

As at August 31, 2011, the Company considers capital to consist of all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or long-term debt.

The Company expects its current and future capital resources to be sufficient to pursue a Qualifying Transaction and to fund current operations.

9. FINANCIAL INSTRUMENTS AND RISKS

(a) Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts payable and amount due to a related party. The fair values of these financial instruments approximate their carrying values because of their current or on demand nature.

(b) Fair value measurements

CICA 3862, *Financial Instruments – Disclosures*, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. CICA 3862 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA 3862 prioritizes the inputs into three levels that may be used to measure fair value:

<u>Level 1</u>

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

9. FINANCIAL INSTRUMENTS AND RISKS (continued)

(b) Fair value measurements (continued)

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The fair value of cash and cash equivalents is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets.

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as at August 31, 2011 and 2010 as follows:

	Fair Value Measurements as at August 31, 2011 Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $	August 31, 2011 $
Assets:				
Cash and cash equivalents	254,105	–	–	254,105

	Fair Value Measurements as at August 31, 2010 Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $	August 31, 2010 $
Assets:				
Cash and cash equivalents	209,864	–	–	209,864

As at August 31, 2011 and 2010, there were no liabilities measured at fair value on a recurring basis presented on the Company's balance sheet.

9. FINANCIAL INSTRUMENTS AND RISKS (continued)

(c) Financial risks

In management's opinion, the Company is not exposed to significant interest rate, currency exchange rate or liquidity risk arising from these financial instruments. The Company is not exposed to derivative financial instruments.

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with high credit quality financial institutions. The values of these instruments may exceed the amounts insured by an agency of the government of Canada.