KR INVESTMENT LTD.
(A CAPITAL POOL COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

MAY 31, 2012 AND MAY 31, 2011

(Unaudited)

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NOTICE TO READER
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

Management has prepared the condensed interim statements of the financial position of KR Investment Ltd. as at May 31, 2012, August 31, 2011 and September 1, 2010 and the condensed interim statements of operations and comprehensive loss, changes in equity and cash flows for the three and nine months ended May 31, 2012 and May 31, 2011. In accordance with National Instrument 51-102 released by the Canadian Securities Administrator, the Company discloses that they have not been audited or reviewed. Readers are cautioned that these statements may not be appropriate for their purposes.

Vancouver, B.C. KR Investment Ltd.
July 30, 2012

KR INVESTMENT LTD.

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars - Unaudited)

	As at May 31, 2012 $	As at August 31, 2011 $	As at September 1, 2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	196,325	254,105	209,864
Amount receivable	5,098	32	-
	201,423	254,137	209,864
Deferred financing costs	-	-	336
	201,423	254,137	210,200
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	1,469	1,299	5,799
Due to related parties (Note 7)	11,100	11,100	11,100
	12,569	12,399	16,899
SHAREHOLDERS' EQUITY			
Share capital (Note 5)	309,506	309,506	197,760
Contributed surplus (Note 6)	53,034	53,034	-
Deficit	(173,686)	(120,802)	(4,459)
	188,854	241,738	193,301
	201,423	254,137	210,200

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 condensed interim financial statements.

KR INVESTMENT LTD.

Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars - Unaudited)

	Three months ended May 31, 2012 $	**Three months ended May 31, 2011 $**	**Nine Months ended May 31, 2012 $**	**Nine months ended May 31, 2011 $**
REVENUE	-	-	-	-
EXPENSES				
Accounting and legal	328	5,863	19,497	49,812
Bank charges	29	190	118	459
Rent (Note 7)	6,000	4,480	18,000	4,480
Professional and training	-	-	945	-
Stock-based compensation (Note 4 (d)	-	36,601	-	36,601
Telephone	127	199	383	432
Transfer agent and filing fees	1,360	13,313	13,941	16,058
Travel	-	1,262	-	1,262
	7,844	61,908	52,884	109,104
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(7,844)	(61,908)	(52,884)	(109,104)
DEFICIT, BEGINNING OF PERIOD	(165,842)	(51,655)	(120,802)	(4,459)
DEFICIT, END OF PERIOD	(173,686)	(113,563)	(173,686)	(113,563)
LOSS PER SHARE				
Loss Per Share – Basic and Diluted	(0.00)	(0.01)	(0.01)	(0.02)
Weighted Average Shares Outstandin	6,000,000	5,478,261	6,000,000	4,498,168

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

KR INVESTMENT LTD.

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars - Unaudited)

	Number of Common Shares	Amount $	Contributed Surplus $	Deficit $	Total $
As at September 1, 2010	4,000,000	197,760	-	(4,459)	193,301
Net loss and comprehensive loss	-	-	-	(109,104)	(109,104)
Balance, May 31, 2011	4,000,000	197,760	-	(113,563)	84,197
Issuance of common shares	2,000 000	111,746	16,433	-	128,179
Stock-based compensation	-	-	36,601	-	36,601
Net loss and comprehensive loss	-	-	-	(7,239)	(7,239)
Balance, August 31, 2011	6,000,000	309,506	53,034	(120,802)	241,738
Net loss and comprehensive loss	-	-	-	(52,884)	(52,884)
Balance May 31, 2012	6,000,000	309,506	53,034	(173,686)	188,854

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

KR INVESTMENT LTD.

Condensed Interim Statement of Cash Flows

(Expressed in Canadian Dollars - Unaudited)

	Three months ended May 31, 2012 $	Three months ended May 31, 2011 $	Nine Months ended May 31, 2012 $	Nine months ended May 31, 2011 $
OPERATING ACTIVITIES				
Net loss for the period	(7,844)	(61,908)	(52,884)	(109,104)
Items not involving cash:				
Stock-based compensation	-	36,601	-	36,601
Changes in operating assets and liabilities:				
Account receivable	(1,254)	-	(5,066)	-
Accounts payable and accrued liabilities	12,751	(1,039)	170	(2,645)
	(21,849)	(26,346)	(57,780)	(75,148)
FINANCING ACTIVITIES				
Proceeds from the share issuance	-	200,000	-	200,000
Share issuance and deferred financing cost	-	(24,653)	-	(71,485)
	-	175,347	-	128,515
INCREASE IN CASH AND CASH EQUIVALENTS	(21,849)	149,001	(57,780)	53,367
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	218,174	114,230	254,105	209,864
CASH AND CASH EQUIVALENTS, END OF PERIOD	196,325	263,231	196,325	263,231
CASH AND CASH EQUIVALENTS				
Demand deposits	196,325	263,231	196,325	263,231
	196,325	114,230	196,325	114,230
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid for:				
Interest	-	-	-	-
Income taxes	-	-	-	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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. BASIS OF PRESENTATION

(a) Statement of compliance

The condensed interim financial statements, including comparative figures, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting and IFRS 1, First-Time Adoption of International Financial Reporting Standards. The disclosures concerning the transition from Canadian GAAP to IFRSs are included in Note 10. Subject to the transition elections, the Company has consistently applied the same accounting policies in the opening IFRS balance sheet as at September 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

The condensed interim financial statements were authorized for issue by the Board of Directors on July 30, 2012.

(b) Basis of measurement

The condensed interim financial statements have been prepared on a going concern basis, under the historical cost convention except for financial instruments carried at fair value where changes are recognized through profit or loss.

(c) Functional and presentation currency

The condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. BASIS OF PRESENTATION (continued)

(c) Use of estimates and judgments

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates. The condensed interim financial statements do not include all of the information required for full annual financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements include share-based payments and recovery of deferred tax assets.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Accounting Standards Issued But Not Yet Applied

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company has not yet begun the process of assessing the impact that theses new and amended standards will have on its condensed interim financial statements or whether to early adopt any of the new requirements.

(a) IAS 1 'Presentation of Financial Statements' – In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether they may be recycled to profit or loss in future periods.

(b) IAS 12 *Income taxes* – In December 2010, the IASB issued an amendment to IAS 2 that provides a practical solution to determining the recovery of investment properties as it related to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, which early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed interim financial statements.

(c) Amendments to IFRS 7 Financial Instruments: Disclosures In October 2010, the IASB issued amendments to IFRS 7 that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed interim financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(d) IFRS 9 Financial Instruments – IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and 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 and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

(e) IFRS 10 *Consolidated Financial Statements* – IFRS 10 requires an entity to consolidate an investee when it 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. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation – *Special Purposes Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

(f) IFRS 11 *Joint Arrangements* – IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations and the arrangements, rather than its legal form. The standard is effective for annual periods beginning on or after January 1, 2012, with early adoption permitted.

(g) IFRS 12 Disclosure of Interests in Other Entities – IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosure and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities.

(h) IFRS 13 Fair Value Measurement – IFRS 13 is comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standards 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. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(i) IAS 27 'Separate Financial Statements'– as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

(j) IAS 28 Investments in Associates and Joint Ventures – IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim financial statements or whether to early adopt any of the new requirements.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the opening IFRS statement on financial position at August 3, 2011 for the purpose of the transition to IFRSs, unless otherwise indicated.

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash in bank accounts and when applicable, cashable securities that on acquisition have a term to maturity of three months or less, or may be redeemed during this period. Cash and cash equivalents are highly liquid marketable securities and deposits, which are designated as held-for-trading and are recorded at their fair values with changes recognized in net loss. Fair values are determined by reference to quoted market prices at the balance sheet date.

(b) Share issuance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed or for which successful completion is considered unlikely, are charged to operations.

(c) Income Taxes

The Company follows the asset and liability method for determining income taxes. Under this method, deferred income tax assets and liabilities are recognized for temporary difference between the carrying amounts for financial statement purposes and the tax basis for certain assets and liabilities. Deferred 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 deferred tax assets 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 future tax asset will be recovered, it proves a valuation allowance against that excess.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Loss Per Share

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.

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

(e) Financial Instruments

Non-derivative financial assets

Non-derivative financial assets are initially recognized at fair value and are classified into one of four categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables or available-for-sale financial assets.

i) Financial assets at fair value through profit or loss

Financial asset are classified as fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, and changes are recognized in operations. Upon initial recognition transaction costs are recognized in operations as incurred.

ii) Held-to-maturity financial assets

Financial assets are classified as held-to-maturity if the Company has the positive intent and ability to hold them to maturity. These financial assets are recognized initially at fair value together with directly attributable costs, and are subsequently measured at amortized cost using the effective interest method less any impairment losses. Any sale or reclassification of a more than significant amount of these assets not close to their maturity would result in the reclassification of all held-to-maturity financial assets as available-for-sale, and would prevent the Company classifying investment securities as held-to-maturity for the current and following two financial years.

iii) Loans and receivables

These assets are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method less any impairment losses.

iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and any changes, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity. When an available-for-sale financial asset is derecognized, the cumulative gain or loss in other comprehensive income is reclassified through operations.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized at fair value and are classified into one of two categories: financial liabilities at fair value through profit or loss or other financial liabilities.

v) Financial liabilities at fair value through profit or loss

These financial liabilities are acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are measured at fair value, and changes therein are recognized in operations.

vi) Other financial liabilities

These financial liabilities are recognized initially at fair value plus any directly attributable transaction costs, and are subsequently measured at amortized cost using effective interest method.

(f) Share-based payments

The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

(g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resourced embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Critical Accounting Estimates and Judgments

Critical accounting estimates and judgments are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities. The accounting estimates and judgments that have a significant risk of causing a material adjustment to carrying amounts with the next financial year are as follows.

(i) assumptions used in valuing options issued as stock-based compensation
(ii) recoverability or valuation of amounts receivable
(iii) the realization of future income tax assets
(iv) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. The Directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements.

5. SHARE CAPITAL

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

(b) Issued and Outstanding

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.

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

At May 31, 2012, 4,000,000 common shares issued and outstanding were placed in escrow to be 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. All of these shares continue to remain in escrow.

(Expressed in Canadian Dollars - Unaudited)

5. SHARE CAPITAL (continued)

(d) Stock Options:

The Company has established an incentive share option plan for granting options to directors, employees and consultants in accordance with Exchange policies. 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 vest fully on the date of grant. The fair value of the directors' and officers' stock options, which was expensed during the period, was $36,601 which was determined using the Black-Scholes option pricing model with the following assumptions: an annualized volatility of 75%; an expected life of 10 years; a dividend yield rate of 0%; and a risk-free interest rate of 3.3745%.

(i) Directors' and Officers' Options

As at May 31, 2012, the following incentive stock options are outstanding:

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

(ii) Agent's Options

As at May 31, 2012, the following agent's options are outstanding:

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

6. CONTRIBUTED SURPLUS

A summary of the changes in the Company's contributed surplus for nine months ended May 31, 2012 and August 31, 2011 is as follows:

	$
Balance, August 31, 2011 and May 31, 2012	53,034

7. 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 expired on March 31, 2012 for the amount of $2,000 per month. The said the lease was renewed for an additional term of three months from April 1, 2012 to June 30, 2012.

During the nine months ended May 31, 2012, the Company paid a total of $18,000 (2011 - $4,480) for office premises provided by a company controlled by a director of the Company.

As at May 31, 2012, a director of the company had advanced $11,100 (2011 - $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.

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 May 31, 2012, the Company considers capital to consist of share capital deficit. 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 amounts due to a related party. The fair values of these financial instruments approximate their carrying values because of their current or on demand nature. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs and used to determine fair values. The levels of the fair value hierarchy are as follows:

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.

The Company's financial instruments at May 31, 2012 and August 31, 2011 classified as "Level one – Quoted prices in active markets" are cash and cash equivalent.

9. FINANCIAL INSTRUMENTS AND RISKS (continued)

(b) Fair value measurements

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk through its cash which is held in large Canadian financial institutions and refundable tax credits. The Company believes this credit risk is insignificant.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash balances; however, management does not believe this exposure is significant.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accrued liabilities and accounts payable are all current. The Company ensures that it has sufficient capital to meet short-term financial obligations after taking into account its administrative obligations.

Foreign exchange risk is the risk related to the fluctuation of foreign exchange rates. The Company is not exposed to significant foreign exchange risk.

The Company does not use derivative instruments or hedges to manage risks because the Company's exposure to credit risk, interest rate risk and currency risk is small.

10. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING

For all periods up to and including the year ended August 31, 2011, the Company prepared its financial statements in accordance with Canadian GAAP. The Company will be preparing its first financial statements in accordance with IFRS for the year ending August 31, 2011. The Company has prepared financial statements which comply with IFRS applicable for periods beginning on or after September 1, 2011 as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at September 1, 2010, the Company's date of transition to IFRS.

First-time adoption of IFRS

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied.

The Company did not use the exemptions listed in IFRS 1.

This note explains the principal adjustments made by the Company in restating its Canadian GAAP statement of financial position as at September 1, 2010 and August 31, 2011 and the statement of operations for the nine months ended May 31, 2011.

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.

10. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING (Continued)

First-time adoption of IFRS (continued)

Changes to accounting policies

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statement of operations, statement of comprehensive loss, statement of financial position and statement of cash flows for the six months ended February 2, 2011 and the year ended August 31, 2011 have been reconciled to IFRS, with the resulting differences explained.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

(a) Stock-based Compensation

IFRS

- Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches.
- Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

Canadian GAAP

- The Company had elected to recognize the fair value of stock-based awards using the graded vesting method which is the same requirement under IFRS.
- Forfeitures of awards are recognized as they occur.

(b) Accounts payable, accrued liabilities and provisions

IFRS – a provision is a liability of uncertain timing or amount. Provisions are disclosed separately from liabilities and accrued liabilities and require additional disclosure.

Canadian GAAP – Accounts payable, accrued liabilities and provisions are disclosed on the statement of financial position as a single line item. As at September 1, 2010 and at August 31, 2011, the Company has not recorded any provisions.

(c) Impairment

IFRS – If indication of impairment is identified, the asset's carrying value is compared to the asset's discounted cash flows. If the discounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value.

Canadian GAAP - If indication of impairment is identified, the asset's carrying value is compared to the asset's undiscounted cash flows. If the undiscounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value. The Company completed an impairment review of its assets at September 1, 2010 and at August 31, 2011 and concluded that the assets were not impaired in accordance with IFRS.

(Expressed in Canadian Dollars - Unaudited)

10. CONVERSION TO IFRS (continued)

Changes to accounting policies (continued)

(d) Share issuance costs

IFRS – Initial public offering costs directly attributable for the offer of shares to the public are recorded as deferred financing costs until the financing transactions are completed and charged to share capital once completed. If those costs are for the listing procedures to comply with the requirements established by the relevant securities regulator or exchange, they are expensed as incurred.

Canadian GAAP – All initial public offering related to the offer of shares to the public and the listing procedures are recorded as deferred financing costs until the financing transactions are completed and charged to share capital once completed. The Company adjusted the deferred financing costs and share issuance costs due to the costs related to the listing procedures with the securities regulator and exchanges.

(e) Presentation

The presentation of the cash flow statement in accordance with IFRS differs from the presentation of the cash flow statement in accordance with Canadian GAAP. The changes made to the statements of financial position and statements of income and comprehensive income have resulted in reclassification of various amounts on the statement of cash flows.

The September 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	September 1, 2010 Canadian GAAP $	Effect of IFRS Transition $	September 1, 2010 IFRS $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	209,864	-	209,864
DEFERRED FINANCING COSTS (d)	1,680	(1,344)	336
TOTAL ASSETS	211,544	(1,344)	210,200
TOTAL LIABILITIES	16,899	-	16,899
SHAREHOLDERS' EQUITY			
Share capital (Note 5)	197,760	-	197,760
Deficit (d)	(3,115)	(1,344)	(4,459)
TOTAL SHAREHOLDERS' EQUITY	194,645	(1,344)	193,301
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	211,544	(1,344)	210,200

(Expressed in Canadian Dollars - Unaudited)

10. CONVERSION TO IFRS (continued)

The May 31, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	May 31, 2011 Canadian GAAP $	Effect of IFRS Transition $	May 31, 2011 IFRS $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	263,231	-	263,231
DEFERRED FINANCING COSTS (d)	-	-	-
TOTAL ASSETS	263,231	-	263,231
Total Liabilities	14,254	-	14,254
Shareholders' equity			
Share capital (Note 5)	260,074	49,432	309,506
Contributed surplus (Note 6)	53,034	-	53,034
Deficit (d)	(64,131)		(113,563)
Total Shareholders' Equity	248,977	-	248,977
Total Liabilities and Shareholders' Equity	263,231	-	263,231

The August 31, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	August 31, 2011 Canadian GAAP $	Effect of IFRS Transition $	August 31, 2011 IFRS $
Total Assets	254,137	-	254,137
Total Liabilities	12,399	-	12,399
Shareholders' equity			
Share capital (Note 5) (d)	260,074	49,432	309,506
Contributed surplus (Note6)	53,034	-	53,034
Deficit (d)	(71,370)	(49,432)	(120,802)
Total Shareholders' Equity	241,738	-	241,738
Total Liabilities and Shareholders' Equity	254,137	-	254,137

(Expressed in Canadian Dollars - Unaudited)

10. CONVERSION TO IFRS (continued)

IFRS 1 also requires reconciliation disclosures that explain how the transition from Canadian GAAP to IFRS has affected the Company's previously reported comprehensive income (loss) for the year ended August 31, 2011 and six months ended February 28, 2011.

Statement of Operations and Comprehensive Loss	Year ended, August 31, 2011 Canadian GAAP $	Effect of IFRS Transition $	Year ended, August 31, 2011 IFRS $
Revenue	-	-	-
Expenses			
Accounting and legal (d)	14,560	36,889	51,449
Bank charges	491	-	491
Rent	8,960	-	8,960
Stock-based compensation	36,601	-	36,601
Telephone	646	-	646
Transfer agent and filing fees (d)	5,735	11,200	16,935
Travel	1,262	-	1,262
Net loss and comprehensive loss	(68,255)	(48,089)	(116,344)

Statement of Operations and Comprehensive Loss	Nine months ended May 31, 2011 Canadian GAAP $	Effect of IFRS Transition $	Nine months ended May 31, 2011 IFRS $
Revenue	-	-	-
Expenses			
Accounting and legal (d)	12,924	36,888	49,812
Bank charges	459	-	459
Rent (Note 6a)	4,480	-	4,480
Stock-based compensation	36,601	-	36,601
Telephone	432	-	432
Transfer agent and filing fees	4,858	11,200	16,058
Travel	1,262	-	1,262
Net loss and comprehensive loss	(61,016)	(48,088)	(109,104)