SURREY CAPITAL CORP.

FINANCIAL STATEMENTS

AUGUST 31, 2011

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To the Shareholders of Surrey Capital Corp. (the "**Corporation**"):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Generally Accepted Accounting Principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed of Directors some of which may be an officer or employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving financial information. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

/s/ "*Claude Ayache*"
Claude Ayache
Chief Executive Officer

December 12, 2011

Independent Auditor's Report

To the Shareholders of Surrey Capital Corp.:

We have audited the accompanying financial statements of Surrey Capital Corp., which comprise the balance sheet as at August 31, 2011, and the statements of operations and comprehensive loss, statement of shareholders' equity, and statement of cash flows for the period from September 13, 2010 (date of incorporation) to August 31, 2011, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 we have obtained in our audit 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 Surrey Capital Corp. as at August 31, 2011, and the results of its operations and its cash flows for the period from September 13, 2010 (date of incorporation) to August 31, 2011 in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
We draw attention to Note 1 to the financial statement which describes the uncertainties related to the continuing operations being dependent on its ability to complete its Qualifying Transaction. Our opinion is not qualified in respect of this matter.

MNP LLP

December 12, 2011
Toronto, Ontario

Chartered Accountants
Licensed Public Accountants

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SURREY CAPITAL CORP.
BALANCE SHEET
(All Amounts are in Canadian Dollars)

As at	**August 31, 2011**
A S S E T S	
CURRENT	
Cash and cash equivalents (Note 4)	$ 475,036
Sundry receivable	1,292
	$ 476,328
L I A B I L I T I E S	
CURRENT	
Accounts payable and accrued liabilities	$ 7,000
	7,000
CONTINGENCY (Note 10)	
S H A R E H O L D E R S' E Q U I T Y	
CAPITAL STOCK (Note 5)	
Issued and Outstanding - 7,428,000	496,386
CONTRIBUTED SURPLUS (Note 6)	28,273
ACCUMULATED DEFICIT	(55,331)
	469,328
	$ 476,328

Approved on behalf of the board of directors:

/s/ "*Victor D'Souza*"
Victor D`Souza, Director

/s/ "*Elliott Jacobson*"
Elliott Jacobson, Director

SURREY CAPITAL CORP.
STATEMENT OF SHAREHOLDER'S EQUITY
(All Amounts are in Canadian Dollars)

For the Period from September 13 to August 31, 2011

	Number of Common Stock	Amount of Common Stock	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
Balance, September 13, 2010	- - -	$ - - -	$ - - -	$ - - -	$ - - -
Issuance of common shares for cash prior to the initial public offering ("**IPO**")	2,500,000	125,000	- - -	- - -	125,000
Issuance of common shares for cash at time of IPO	4,928,000	492,800	- - -	- - -	492,800
Cost of issuance	- - -	(121,414)	7,618		(113,794)
Vesting of incentive stock options	- - -	- - -	18,777	- - -	18,777
Vesting of charitable stock options	- - -	- - -	1,878	- - -	1,878
Net loss for the period	- - -	- - -	- - -	(55,331)	(55,331)
Balance, August 31, 2011	7,428,000	$ 496,386	$ 28,273	$ (55,331)	$ 469,328

SURREY CAPITAL CORP.
STATEMENT OF OPERATIONS AND COMPHENSIVE LOSS
(All Amounts are in Canadian Dollars)

For the Period **To**	**Sept 13, 2010** **August 31, 2011**
EXPENSES	
General and administrative (Note 6)	$ 50,000
LOSS BEFORE UNDERNOTED	(50,000)
INTEREST INCOME	2,920
PROJECT ANALYSIS COSTS	(8,251)
NET LOSS AND COMPREHENSIVE LOSS	$ (55,331)
NET LOSS PER COMMON SHARE	
Loss per common share – basic and diluted	$ (0.01)
Weighted average common shares outstanding – basic and diluted	5,511,216

SURREY CAPITAL CORP.
STATEMENT OF CASH FLOWS
(All Amounts are in Canadian Dollars)

For the Period To	**Sept 13, 2010 August 31, 2011**
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss for the period	$ (55,331)
Non-cash items	
Charitable stock options (Note 6)	1,878
Stock-based compensation (Note 6)	18,777
	(34,676)
Net change in non-cash operating items	
Sundry receivable	(1,292)
Accounts payable and accrued liabilities	7,000
CASH FLOWS USED IN OPERATING ACTIVITIES	(28,968)
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance costs	(113,796)
Issuance of capital stock	617,800
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	504,004
NET INCREASE IN CASH AND CASH EQUIVALENT, BEING CASH ANDE CASH EQUIVALENT END OF PERIOD	$ 475,036
SUPPLEMENTAL INFORMATION	
Interest received	$ 2,145
Interest paid	—
Income taxes paid	—
NON-CASH FINANCING ACTIVITIES	
Issuance of Agent’s Warrants	7,618

1. Nature of Organization

Description of the Business
Surrey Capital Corp. (the "**Corporation**") was incorporated under the Business Corporations Act (*Ontario*) on September 13, 2010 with the intent to being classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "**Exchange**") corporate finance manual. The Corporation has no assets other than cash and cash equivalent, sundry receivables and proposes to identify and evaluate potential acquisitions or businesses, and once identified and evaluated, to negotiate an acquisition or participation subject to receipt and, if required, shareholders' approval.

Basis of Operations
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

As a Capital Pool Company, the proceeds raised by the Corporation from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investments, with the exception that not more than the lesser of 30% of the gross proceeds from the sale of securities issued by the Corporation and $210,000 may be used to cover prescribed costs of issuing common shares or administrative and general expenditures of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and, if required, shareholder approval.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash and cash equivalents include demand deposits with banks, money market accounts, and other short-term investments with original maturities of 90 days or less. Balances of cash and cash equivalents in financial institutions may at times exceed the government-insured limits.

Deferred Financing Costs
These costs relate directly to the proposed issuance of capital stock by the Corporation. The costs relating to equity financing will reduce the carrying value for financial statements purposes for those shares when issued by the corporation. Upon completion of such financing, the deferred financing costs incurred will be charged against capital stock.

Use of Estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management of the Corporation to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Estimates are used when accounting for items and matters such as accrued liabilities.

2. Summary of Significant Accounting Policies - continued

Accordingly, the Corporation's measurements are based upon management's best estimates based on existing knowledge, which reflect the Corporation's planned courses of action and probable economic conditions; however, it is possible that actual events may be different from those anticipated. Accordingly, such differences could impact the carrying values of these assets and liabilities as well as future results of operations and cash flows.

Stock-based Compensation
Stock options issued by the Corporation are accounted for in accordance with the fair value based method of accounting as per Section 3870, Stock-based Compensation and Other Stock-Based Payments, of the Canadian Institute of Chartered Accountants ("**CICA**") Handbook ("**HB**"). The fair value of options issued to directors, officers, employees of and consultants to the Corporation is charged to earnings with the offsetting amount recorded to contributed surplus. When options are exercised, the amount received, together with the amount previously recorded in contributed surplus are added to capital stock. The fair value of warrants issued to agents in conjunction with a public offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. Fair value is measured using the Black-Scholes option pricing model.

Future Income Taxes
Income taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment occurs. To the extent that the Corporation does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the amount.

Costs of Raising Capital
Incremental costs incurred in respect of raising capital are charged against equity proceeds raised.

Foreign Currency Translation
The transactions concluded in foreign currencies are translated according to the temporal method. Monetary items are translated at the rate of exchange at the balance sheet dates, non-monetary items are translated at historical exchange rates and revenue and expenses are translated at the average exchange rate for the year. Amortization of non-monetary assets are translated at the same exchange rate as to the related asset. Foreign exchange gains and losses are included in income.

Earnings Per Share
Earnings per share are calculated using the weighted average number of shares outstanding during the year. The treasury stock method of calculating diluted earnings per share is used, which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the period. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation.

Financial Instruments
The following is a summary of the accounting model the Corporation has elected to apply to each of its significant categories of financial instruments outstanding at August 31 2011:

Cash and cash equivalents	Held-for-trading
Sundry receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

2. Summary of Significant Accounting Policies - continued

The Corporation initially measures all its financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

(a) Held-for-trading financial assets are measured at fair value at the balance sheet date with any gain or loss recognized immediately in net income. Interest and dividends earned from held-for-trading are also included in income for the period.
(b) Loans and receivables are measured at amortized cost using the effective interest method

(c) Other financial liabilities are measured at amortized cost using the effective interest method.

(d) Transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception, and are recognized over the term of the assets or liabilities using the effective interest method. Any gains or losses are recognized in net income.

3. Future Accounting Changes

International Financial Reporting Standards
In February 2008, the Canadian Accounting Standards Board ("**AcSB**") confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("**IFRS**") for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Corporation's reporting no later than its quarter ending November 30, 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Corporation's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency and hedging activities, certain contractual arrangements, debt covenants, capital requirements and compensation arrangements.

The Corporation has substantially completed the scoping and planning phase of its changeover plan and commenced the detailed assessment phase. The Corporation has designated the appropriate resources to the project to develop an effective plan and will continue to assess resource and training requirements as the project progresses. The Corporation has identified the following four phases of its conversion plan: scoping and planning, detailed assessment, operations implementation and post implementation. The scoping and planning phase ("**Phase 1**") involves establishing a project management team, mobilizing organizational support for the conversion plan, obtaining stakeholder support for the project, identifying major areas, and developing a project charter, implementation plan and communication strategy. The Corporation has substantially completed the scoping and planning phase. The detailed assessment phase ("**Phase 2**") will result in accounting policies and transitional exemptions decisions, quantification of financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The operations implementation phase ("**Phase 3**") includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the fiscal year 2011 and thereafter. Phase 3 also includes ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures. Post implementation ("**Phase 4**") will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond. The Corporation will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the Corporation and its reporting.

(All Amounts are in Canadian Dollars)

4. Cash and Cash Equivalent

As at August 31, 2011, cash and cash equivalents included $352,978, which, under the rules of the Exchange, may only be used to identify and evaluate assets or businesses for, and obtain shareholder approval for, a proposed Qualifying Transaction and $122,058 which may be used for administrative and general expenses.

5. Capital Stock

a) Authorized and issued

The Corporation is authorized to issue an unlimited number of common shares and unlimited preferred shares.

b) Escrow Shares

All of the 2,500,000 common shares issued prior to the IPO and all common shares that may be acquired from treasury of the Company by Non Arm's Length Parties, as defined in the policies of the Exchange, of the Company prior to completion of the Qualifying Transaction are deposited with the escrow agent under the escrow agreement.

All common shares acquired on exercise of stock options prior to the completion of the Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued by the Exchange. In addition, all common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be escrowed.

6. Contributed Surplus

The Corporation's contributed surplus consists of the following:

	General	Incentive Stock Option	Warrants	Total
Balance, September 13, 2010	$ - - -	$ - - -	$ - - -	$ - - -
Issuance of agent's warrants	- - -	- - -	7,618	7,618
Issuance of charitable stock options	1,878	- - -	- - -	1,878
Vesting of incentive stock options	- - -	18,777	- - -	18,777
Balance, August 31, 2011	$ 1,878	$ 18,777	$ 7,618	$ 28,273

(All Amounts are in Canadian Dollars)

7. Stock Options and Warrants

The Corporation's Incentive Stock Option Plan (the "**Plan**") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Corporation's common shares on the date of the grant to directors, officers, employees and consultants to the Corporation. The option period for options granted under the Plan is for a maximum period of 10 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Corporation at the price specified in the terms of the option.

The fair value of the options was based on the Black Scholes option-pricing model. The following assumptions were used to value them:

	Fiscal 2011
Number of incentive stock options	742,800
Number of charitable stock options	74,280
Exercise price	$ 0.10
Expected life	5 years
Weighted average risk-free interest rate	1.62%
Weighted average expected volatility	25.0%
Dividend yield	0.0%
Fair value	$0.025

The stock options activity is summarized below:

	Number	Weighted Average Exercise Price
Balance, September 13, 2010	- - -	N/A
Granted	817,080	0.10
Exercised	- - -	N/A
Cancelled	- - -	N/A
Forfeited	- - -	N/A
Balance, August 31, 2011	817,080	$ 0.10

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at August 31, 2011.

		Outstanding			Exercisable	
Exercise Price	Options Outstanding	Expiry Date	Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price
$ 0.10	74,280	January 27, 2016	4.4 years	$ 0.10	74,280	$ 0.10
0.10	742,800	January 27, 2021	9.4 Years	0.10	742,800	0.10

(All Amounts are in Canadian Dollars)

7. Stock Options and Warrants - continued

The fair value of the warrants was based on the Black Scholes option-pricing model. The following assumptions were used to value them:

	Fiscal 2011
Number of agent warrants	492,800
Exercise price	$ 0.10
Expected life	2 years
Weighted average risk-free interest rate	1.62%
Weighted average expected volatility	25.0%
Dividend yield	0.0%
Fair value	$0.015

The warrants activity is summarized below:

	Number	Weighted Average Exercise Price
Balance, September 13, 2010	- - -	N/A
Granted	492,800	0.10
Exercised	- - -	N/A
Cancelled	- - -	N/A
Forfeited	- - -	N/A
Balance, August 31, 2011	492,800	$ 0.10

The warrants that are issued and outstanding as at August 31, 2011 are as follows:

Number of Warrants	Type	Issuance Date	Expiry Date
492,800	Broker Warrant	January 2011	January 27, 2013

8. Related Party Transactions

Amounts due from and to the related parties, are a result of transactions with entities controlled by shareholders, officers or directors of the Corporation. These amounts are non-interest bearing, unsecured and not subject to specific terms of repayment unless stated.

During the period ended August 31, 2011, the Corporation recorded $32,699 in respect of the reimbursing of expenditures incurred on behalf of the Corporation by the directors of the Corporation or a company controlled by an officer of the Corporation with regards to office expenses, premises, regulatory fees, and project analysis costs.

These transactions are 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.

(All Amounts are in Canadian Dollars)

9. Income Taxes

The Corporation's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 30.0% to the net loss for the year. The reason for the difference is as follows:

		2011
Loss before income taxes	$	(55,331)
Recovery of income taxes based on statutory rate		(16,599)
Adjustments to income taxes:		
Stock-based compensation		5,633
Share issuance costs		(7,285)
Changes in rates of temporary differences		3,042
Unrecognized benefit of deductible temporary difference		(24,283)
Change in valuation allowance		39,492
Income taxes provision	$	- - -

The Corporation's future income tax asset, computed by applying a future federal and provincial statutory rate of 25%, comprises the following:

Fiscal		2011
Loss carry forwards	$	15,209
Share issuance costs		24,283
Net future income tax assets		39,492
Valuation allowance		(39,492)
Future income tax asset	$	- - -

At August 31, 2011, the Corporation has a non-capital loss of $60,837 available for carry-forward which has not been recognized in these financial statements. These losses expire in 2031.

10. Contingency

While the Corporation has 24 months from the date of listing being February 2011 to complete its Qualifying Transaction, there is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

From time to time, the Corporation may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Corporation. As at August 31, 2011, no material issues were outstanding.

(All Amounts are in Canadian Dollars)

11. Fair Value of Financial Instruments

(a) Fair Value of Non-Derivative Financial Instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest bearing financial assets and liabilities is determined using effective interest method by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk. The carrying value and fair value of financial instruments as follows are similar to their short-term nature:

	August 31, 2011	
	Carrying Value	Fair Value
Financial assets		
Cash and cash equivalents	$ 475,036	$ 475,036
Sundry receivables	1,292	1,292
Financial liabilities		
Accounts payable and accrued liabilities	7,000	7,000

(b) Fair Value Hierarchy

The Corporation values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Corporation maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The following table outlines financial assets and liabilities measured at fair value in the consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalent	$ 475,036	$ - - -	$ - - -	$ 475,036
Sundry receivables	- - -	1,292	- - -	1,292
Total Assets	$ 475,036	$ 1,292	$ - - -	$ 476,328
Liabilities				
Accounts payable and accrued liabilities	$ - - -	$ 7,000	$ - - -	$ 7,000
Total liabilities	$ - - -	$ 7,000	$ - - -	$ 7,000

12. Capital Risk Management

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk, as there are no external restrictions on it.

The Corporation 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 Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Corporation may prepare expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

13. Financial Instruments and Risk Management

Risk Management
In the normal course of business, the Corporation can be exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates and in the credit quality of its customers. Management's involvement in operations helps identify risks and variations from expectations.

The Corporation does not manage risk through the use of hedging transactions. As a part of the overall operation of the Corporation, management takes steps to avoid undue concentrations of risk. The Corporation manages the risks, as follows:

Liquidity Risk
Liquidity risk is the risk that the Corporation cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Corporation's financial obligations associated with financial liabilities.

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk.

Obtaining long-term debt with fixed interest rates minimizes interest rate cash flow risk.

The Corporation does not trade in financial instruments and is not exposed to any significant interest rate price risk.

13. Financial Instruments and Risk Management - continued

Market Risk
Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: credit risk, currency risk and other price risk.

Credit Risk
Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses.

As of the date of these financial statements the Corporation's only debtor is the government of Canada for Harmonized sales tax ("**HST**") receivable and therefore the Corporation does not believe it is currently exposed to any significant credit risk.

Currency Risk
Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Corporation does not have any material transactions denominated in foreign currency and is not exposed to foreign currency risk.

Other Price Risk
Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Corporation are not exposed to other price risk.

Fair Values
Financial instruments include cash, sundry receivable, and accounts payable and accruals. The carrying values of these financial instruments approximate fair value due to the short term nature of financial instruments.

Sensitivity analysis
Financial instruments included in sundry receivable are classified as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at August 31, 2011, the carrying and fair value amounts of the Corporation's financial instruments are the same. Based on management's knowledge and experience of the financial markets, the Corporation believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Corporation.