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**SURREY CAPITAL CORP.  
FINANCIAL STATEMENTS  
FEBRUARY 29, 2012**

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**SURREY CAPITAL CORP.**

**FINANCIAL STATEMENTS**

**FEBRUARY 29, 2012**

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## Management's Responsibility

The accompanying financial statements of the Corporation are the responsibility of management.

The financial statements have been prepared by management in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of statement of financial position. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

/s/ “Claude Ayache”  
Claude Ayache  
Chief Executive Officer

Toronto, Ontario  
April 27, 2012

**SURREY CAPITAL CORP.**  
**STATEMENT OF FINANCIAL POSITION**  
 (All Amounts are in Canadian Dollars)

As at	February 28, 2012	August 31, 2011	September 13, 2010
		(Note 15)	(Note 15)

**ASSETS**

CURRENT

Cash and cash equivalents (Note 4)	\$ 458,326	\$ 475,036	\$ 110,000
Sundry receivable	2,577	1,292	---
Prepaid expenses	<u>6,033</u>	<u>---</u>	<u>---</u>
	<u>\$ 466,936</u>	<u>\$ 476,328</u>	<u>\$ 110,000</u>

**LIABILITIES**

CURRENT

Accounts payable and accrued liabilities	\$ 12,604	\$ 7,000	\$ ---
	<u>12,604</u>	<u>7,000</u>	<u>---</u>

CONTINGENCY (Note 10)

**SHAREHOLDERS' EQUITY**

CAPITAL STOCK (Note 5)

Issued and Outstanding - 7,428,000	496,386	496,386	110,000
CONTRIBUTED SURPLUS (Note 6)	28,273	28,273	---
ACCUMULATED DEFICIT	<u>(70,327)</u>	<u>(55,331)</u>	<u>---</u>
	<u>454,332</u>	<u>469,328</u>	<u>110,000</u>
	<u>\$ 466,936</u>	<u>\$ 476,328</u>	<u>\$ 110,000</u>

Nature of Organization (Note 1)

Contingency (Note 11)

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

	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	---	---	---	(32,480)	(32,480)
Balance, February 28, 2011	7,428,000	\$ 496,386	\$ 28,273	\$ (32,480)	\$ 492,179
Balance, August 31, 2011	7,428,000	\$ 496,386	\$ 28,273	\$ (55,331)	\$ 469,328
Net loss for the period	---	---	---	(14,996)	(14,996)
Balance, February 28, 2012	7,428,000	\$ 496,386	\$ 28,273	\$ (70,327)	\$ 454,332

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

For the Period To	Dec. 1, 2011 Feb 29, 2012	Dec. 1, 2010 Feb. 28, 2011	Sept 1, 2011 Feb 29, 2012	Sept 13, 2010 Feb. 28, 2011
<b>EXPENSES</b>				
General and administrative (Note 9)	\$ 9,037	\$ 26,405	\$ 17,776	\$ 32,480
LOSS BEFORE UNDERNOTED	(9,037)	(26,405)	(17,776)	(32,480)
INTEREST INCOME	<u>1,378</u>	<u>---</u>	<u>2,780</u>	<u>---</u>
NET LOSS AND COMPREHENSIVE LOSS	<u>\$ (7,659)</u>	<u>\$ (26,405)</u>	<u>\$ (14,996)</u>	<u>\$ (6,075)</u>
<b>NET LOSS PER COMMON SHARE</b>				
Loss per common share – basic and diluted	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding – basic and diluted	<u>7,428,000</u>	<u>4,271,865</u>	<u>7,428,000</u>	<u>3,411,881</u>

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

For the Period To	Dec. 1, 2011 Feb 29, 2012	Dec. 1, 2010 Feb. 28, 2011	Sept 1, 2011 Feb 29, 2012	Sept 13, 2010 Feb. 28, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (7,659)	\$ (26,405)	\$ (14,996)	\$ (32,480)
Non-cash expenses:				
Charitable stock options (Note 6)	---	1,878	---	1,878
Stock-based compensation (Note 6)	---	18,777	---	18,777
	<u>(7,659)</u>	<u>(5,750)</u>	<u>(14,996)</u>	<u>(11,825)</u>
Net change in operating assets and liabilities				
Sundry receivable	(1,167)	(4,028)	(1,285)	(5,554)
Prepaid expenses	(3,483)		(6,033)	---
Accounts payable and accrued liabilities	<u>(6,434)</u>	<u>15,838</u>	<u>5,604</u>	<u>23,244</u>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<u>(18,743)</u>	<u>6,060</u>	<u>(16,710)</u>	<u>5,865</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Deferred costs	---	34,266	---	---
Issuance costs	---	(113,796)	---	(113,796)
Issuance of capital stock	<u>---</u>	<u>492,800</u>	<u>---</u>	<u>617,800</u>
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<u>---</u>	<u>413,270</u>	<u>---</u>	<u>504,004</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(18,743)	419,330	(16,710)	509,869
<b>CASH AND CASH EQUIVALENTS - Beginning of period</b>	<u>475,069</u>	<u>90,539</u>	<u>475,069</u>	<u>---</u>
<b>CASH AND CASH EQUIVALENTS - End of period</b>	<u>\$ 458,326</u>	<u>\$ 509,869</u>	<u>\$ 458,326</u>	<u>\$ 509,869</u>
<b>SUPPLEMENTAL INFORMATION</b>				
Interest received	\$ 1,438	\$ —	\$ 2,979	\$ —
Interest paid	—	—	—	—
Income taxes paid	—	—	—	—

**SURREY CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(All Amounts are in Canadian Dollars)**

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## **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.

These financial statements of the Corporation were authorized for issue in accordance with a resolution of the directors on April 26, 2012.

### *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.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

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 delist the Corporation's shares from trading.

## **2. Basis of Presentation**

### *Statement of Compliance*

The financial statements for the periods from September 1, 2011 to February 29, 2012 have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**") without being reviewed by the Corporation's external auditors.



**SURREY CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Basis of Preparation** - continued

This is the first fiscal year in which the Corporation's financial statements are prepared in accordance with IFRS. Previously, the Corporation prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("**CGAAP**"). The disclosures required by the provisions of IFRS 1, "First-time adoption of International Financial Reporting Standards", explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of the Corporation, are presented in note 15. These financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("**IAS 34**"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

The accounting policies set out below have been applied consistently to all periods presented in these unaudited interim financial statements. They also have been applied in preparing an opening IFRS statement of financial position at September 13, 2010 (note 15) for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("**IFRS 1**").

These financial statements have been prepared on the basis of IFRS standards that are expected to be effective or available for early adoption by the Corporation on August 31, 2012, the Corporation's first annual reporting date under IFRS. The Corporation has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ended August 31, 2012.

These financial statements have been prepared on a historical cost basis except for certain financial assets which are recorded at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements should be read in conjunction with the CGAAP annual financial statements for the year ended August 31, 2011, and also that because this is the first fiscal year that the Corporation's financial statements are prepared using IFRS, they include certain disclosures that were not included in those most recent CGAAP annual financial statements, which are required to be included in annual financial statements prepared in accordance with IFRS.

*Basis of Measurement*

These financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost convention.

*Use of Estimates and Judgments*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in note 4.

*Functional and presentation currency*

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

**SURREY CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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### **3. 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.

#### *Proposed Qualifying Transaction*

These costs will be deferred until the Qualifying Transaction is completed, at which time the costs will be charged against the proceeds received. If the Qualifying Transaction does not close, these costs will be charged to operations.

#### *Deferred Financing Costs*

Financing costs related to the Corporation's proposed financing are recorded as deferred financing costs. These costs will be deferred until the financing is completed, at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to operations.

#### *Income Taxes*

Tax expense comprises current and deferred tax. Tax is recognized in the statement of comprehensive income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

#### *Current Income Tax*

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### *Deferred Tax*

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

#### *Earnings Per Share*

Earnings per share is calculated using the weighted average number of shares outstanding during the period. The 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.

#### *Non-derivative Financial Instruments*

Non-derivative financial instruments are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has substantially transferred all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

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**3. Summary of Significant Accounting Policies - continued**

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

*Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

*Other Financial Liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Liabilities in this category include accounts payable and accrued liabilities.

*Equity Instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

*Warrants*

The Corporation measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk free interest rate. The fair value of warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus general account.

*Impairment of financial assets*

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

*Fair Value Hierarchy*

The Corporation classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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**3. Summary of Significant Accounting Policies - continued**

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

*Financial Instruments*

The following is a summary of significant categories of financial instruments outstanding at February 29, 2012:

Cash	Fair value through profit and loss
Sundry receivables	Fair value through profit and loss
Accounts payable and accrued liabilities	Other financial liabilities

Carrying value and fair value of financial assets and liabilities are summarized as follows:

Classification	Carrying value	Fair value
Fair value through profit and loss	\$ 460,903	\$ 460,903
Other financial liabilities	12,604	12,604

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) Fair values through profit and loss are measured at fair value at the balance sheet date with any gain or loss recognized immediately in earnings. Interest and dividends earned from held-for-trading are also included in income for the period.
- (b) Other financial liabilities are measured at amortized cost using the effective interest method.
- (c) 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 earnings.

*Share-based Payments*

Stock options issued by the Corporation are accounted for in accordance with the fair value based method. The fair value of options issued to directors, officers, employees of and consultants to the Corporation is charged to earnings on a straight line basis over the vesting period of each tranche (graded vesting) with the offsetting amount recorded to contributed surplus. The historical forfeiture rate is also factored in to the calculations. 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.

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**(All Amounts are in Canadian Dollars)**

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**3. Summary of Significant Accounting Policies - continued**

*Foreign Currency Translation*

The functional currency is the currency of the primary economic environment in which it operates. 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.

*Recent Accounting Pronouncements*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standard Board (“**IASB**”) or International Financial Reporting Interpretations Committee (“**IFRIC**”) that are mandatory for accounting periods beginning on or after January 1, 2011. The standards impacted that are applicable to the Corporation are as follows:

i) IFRS 9, ‘Financial Instruments’ was issued in November 2009 as the first step in its project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Corporation is currently assessing the impact of this standard and does not plan on early adoption.

(ii) In May 2011, the IASB issued the following standards which have not yet been adopted by the Corporation IFRS 10, Financial Statements (“**IFRS 10**”), IFRS 11, Joint Arrangements (“**IFRS 11**”), IFRS 12, Disclosure of Interest in Other Entities (“**IFRS 12**”) and IFRS 13, Fair Value Measurement (“**IFRS 13**”). Each of these new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation has not yet begun the process of assessing the impact that the new standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

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 Standing Interpretations Committee (“**SIC**”)-1212 Consolidation – Special Purpose Entities and parts of IAS 27 and Separate Financial Statements.

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

IFRS 12 establishes disclosure requirements for interest in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interest in other entities.

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**3. Summary of Significant Accounting Policies - continued**

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. 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. Summary of Accounting Estimates and Assumptions**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

*Fair Value of Financial Instruments*

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

*Share-Based Payment Transactions*

The Corporation measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 7.

*Taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determinations are made.

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**5. Cash and Cash Equivalents**

As at February 29, 2012, cash and cash equivalents of \$458,326 included \$351,264, 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 \$107,062 which may be used for administrative and general expenses.

**6. 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 Corporation by Non Arm's Length Parties, as defined in the policies of the Exchange, of the Corporation 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 Corporation 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 Corporation held by principals of the resulting issuer will also be escrowed.

**7. 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 and February 29, 2012	<u>\$ 1,878</u>	<u>\$ 18,777</u>	<u>\$ 7,618</u>	<u>\$ 28,273</u>

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**8. 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 and February 29, 2012	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 February 29, 2012.

		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	3.9 years	\$ 0.10	74,280	\$ 0.10	
0.10	742,800	January 27, 2021	8.9 Years	0.10	742,800	0.10	



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**8. 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
	<hr/>	
Balance, August 31, 2011 and February 29, 2012	492,800	\$ 0.10

The warrants that are issued and outstanding as at February 29, 2012 are as follows:

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

**9. General and Administrative Expenditures**

For the period from To	Dec. 1, 2011 Feb. 29, 2012	Dec. 1, 2010 Feb. 28, 2011	Sept. 1, 2011 Feb. 29, 2012	Sept. 13, 2010 Feb. 28, 2011
Bank charges	\$ ---	\$ ---	\$ 25	\$ 25
Office expense	2,670	6,828	5,670	\$ 8,128
Professional fees	1,375	1,000	2,375	2,000
Regulator fees	2,412	(500)	4,876	---
Premises	2,250	300	4,500	3,550
Stock-based compensation	---	18,777	---	---
Telecommunication	300	---	330	---
	<hr/>			
	\$ 9,037	\$ 26,405	\$ 17,776	\$ 13,703

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**10. 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 February 29, 2012, the Corporation recorded \$10,500 (2010 - \$9,750) 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.

**11. 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.

**12. 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:

	February 29, 2012		August 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	\$ 458,326	\$ 458,326	\$ 475,036	\$ 475,036
Sundry receivables	2,577	2,577	1,292	1,292
Financial liabilities				
Accounts payable and accrued liabilities	12,604	12,604	7,000	7,000

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**12. Fair Value of Financial Instruments - continued**

**(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 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
<b>Assets</b>				
Cash and cash equivalent	\$ 458,326	\$ ---	\$ ---	\$ 458,326
Sundry receivables	---	2,577	---	2,577
<b>Total Assets</b>	<b>\$ 458,326</b>	<b>\$ 2,577</b>	<b>\$ ---</b>	<b>\$ 460,903</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ ---	\$ 12,604	\$ ---	\$ 12,604
<b>Total liabilities</b>	<b>\$ ---</b>	<b>\$ 12,604</b>	<b>\$ ---</b>	<b>\$ 12,604</b>

**13. 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.

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## **14. 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.

### **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.

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**14. Financial Instruments and Risk Management** - continued

**Fair Values**

Financial instruments include cash, sundry receivable, and accounts payable and accruals. The carrying values of these financial instruments approximate their 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.

**15. Conversion to IFRS**

*(i) Overview*

As stated in Significant Accounting Policies note 3, these financial statements have been prepared in accordance with IFRS as issued by the IASB.

The policies set out in the Significant Accounting Policies section have been applied in preparing these financial statements for the period ended February 29, 2012 and in the preparation of an opening IFRS balance sheet at September 13, 2010 (the Corporation's date of transition and incorporation).

*(ii) First-time adoption of IFRS*

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

As management had anticipated, given the business of the Corporation as a Capital Pool Company and the limited number of transactions that the Corporation has entered into since incorporation, the impact on the adoption of IFRS had no impact on the Corporation's financial position, financial performance and cash flows. Specifically, the main areas of accounting focus for the Corporation to date have been, and will continue to be the issuance of share capital, the recording of share based payments and the recording of cash transactions for which there are very few or no significant differences between IFRS and Canadian GAAP.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Corporation's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under CGAAP.

*(iii) Changes to accounting policies*

The Corporation has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available for early adoption on February 28, 2012, the Corporation's first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

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

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**15. Conversion to IFRS - continued**

*(a) Transaction costs*

IFRS requires transaction costs, other than those associated with the issue of debt or equity securities that the Corporation incurs in connection with a business combination to be expensed as incurred. Previously, the Corporation's CGAAP policy was to capitalize transaction costs as incurred until the business combination was completed. The Corporation's accounting policies related to transaction costs have been changed to reflect these differences. As the Corporation has not yet had a business combination, there is no impact in these financial statements.

*(b) Share-based Payments*

Under IFRS, the fair value of the share options is measured at the grant date and recognized over the period during which the options vest. The fair value of share options granted to officers, directors, employees and consultants is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in contributed surplus.

Previously, under CGAAP, the share-based compensation cost for officers, directors, employees and consultants is measured at fair value at the date of grant and is either expensed or capitalized to mineral exploration properties over the vesting period using straight-line method, with an offsetting credit to contributed surplus.

The Corporation's accounting policies related to Share-based payments have been changed to reflect these differences. There is no impact on these financial statements.

*(iv) Reconciliation from CGAAP to IFRS*

The September 13, 2010 CGAAP financial position has been reconciled to IFRS as follows:

	CGAAP	Effect of Transition to IFRS	IFRS
<b>Current Assets</b>			
Cash and cash equivalents	\$ 110,000	\$ ---	\$ 110,000
	<u>\$ 110,000</u>	<u>\$ ---</u>	<u>\$ 110,000</u>
<b>Shareholders' equity</b>			
Capital stock	110,000	---	110,000
	<u>\$ 110,000</u>	<u>\$ ---</u>	<u>\$ 110,000</u>

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**15. Conversion to IFRS - continued**

The February 28, 2011 CGAAP financial position has been reconciled to IFRS as follows:

	CGAAP	Effect of Transition to IFRS	IFRS
<b>Current Assets</b>			
Cash and cash equivalents	\$ 509,869	\$ ---	\$ 509,869
Sundry receivables	5,554	---	5,554
Deferred costs	---	---	---
	\$ 515,423	\$ ---	\$ 515,423
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 23,244	\$ ---	\$ 23,244
	23,244	---	23,244
<b>Shareholders' equity</b>			
Capital stock	496,386	---	496,386
Contributed capital	28,273	---	28,273
Accumulated Deficit	(32,480)	---	(32,480)
	492,179	---	492,179
	\$ 515,423	\$ ---	\$ 515,423

The August 31, 2011 CGAAP financial position has been reconciled to IFRS as follows:

	CGAAP	Effect of Transition to IFRS	IFRS
<b>Current Assets</b>			
Cash and cash equivalents	\$ 475,036	\$ ---	\$ 475,036
Interest and sundry receivables	1,292	---	1,292
	\$ 476,029	\$ ---	\$ 476,029
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 7,000	\$ ---	\$ 7,000
	7,000	---	7,000
<b>Shareholders' equity</b>			
Capital stock	496,386	---	496,386
Contributed surplus	28,273	---	28,273
Accumulated Deficit	(55,331)	---	(55,331)
	469,328	---	469,328
	\$ 476,328	\$ ---	\$ 476,328

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**15. Conversion to IFRS - continued**

The period from September 13, 2010 to February 28, 2011 CGAAP statement of operation and comprehensive loss reconciliation to IFRS as follows:

	CGAAP	Effect of Transition to IFRS	IFRS
Revenues	\$ ---	\$ ---	\$ ---
Expenses			
Administrative and general expenditures	32,480	\$ ---	32,480
	(32,480)	---	(32,480)
Interest income	---	---	---
Net loss and comprehensive loss	\$ (32,480)	\$ ---	\$ (32,480)

The period from September 13, 2010 to August 31, 2011 CGAAP statement of operation and comprehensive loss reconciliation to IFRS as follows:

	CGAAP	Effect of Transition to IFRS	IFRS
Revenues	\$ ---	\$ ---	\$ ---
Expenses			
Administrative and general expenditures	\$ 50,000	\$ ---	\$ 50,000
	50,000	---	50,000
	(50,000)	---	(50,000)
Interest income	2,920	---	2,920
Project analysis costs	(8,251)	---	(8,251)
Net loss and comprehensive loss	\$ (55,331)	\$ ---	\$ (55,331)



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**15. Conversion to IFRS - continued**

The period from September 13, 2010 to February 28, 2012 CGAAP statement of cash flow reconciliation to IFRS as follows:

	CGAAP	Effect of Transition to IFRS	IFRS
Net loss	\$ (32,480)	\$ ---	\$ (32,480)
Non-cash expenses:			
Interest and sundry receivables	1,878	---	1,878
Interest and sundry receivables	18,777	---	18,777
	<u>(11,825)</u>	---	<u>(11,825)</u>
Changes in operating assets and liabilities:			
Interest and sundry receivables	(5,554)	---	(5,554)
Accounts payable and accrued liabilities	23,244	---	23,244
Cash Flows Provided by (Used In) Operating Activities	<u>5,865</u>	---	<u>5,865</u>
Cash Flows from Financing Activities			
Issuance costs	(113,796)	---	(113,796)
Issuance of share capital	617,800	---	617,800
Cash Flows Provided by (Used In) Financing Activities	<u>504,004</u>	---	<u>504,004</u>
Increase in Cash and Cash Equivalent	509,869	---	509,869
Cash and Cash equivalent			
Beginning of the period	---	---	---
End of the period	<u>\$ 509,869</u>	<u>\$ ---</u>	<u>\$ 509,869</u>

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**15. Conversion to IFRS - continued**

The period from September 13, 2010 to August 30, 2011 CGAAP statement of cash flow reconciliation to IFRS as follows:

	CGAAP	Effect of Transition to IFRS	IFRS
Net loss	\$ (55,331)	\$ ---	\$ (55,331)
Non-cash items			
Charitable stock options	1,878	---	1,878
Stock-based compensation	18,777	---	18,777
	<u>(34,676)</u>	---	<u>(34,676)</u>
Changes in operating assets and liabilities:			
Interest and sundry receivables	(1,292)	---	(1,292)
Accounts payable and accrued liabilities	7,000	---	7,000
Cash Flows Provided by (Used In) Operating Activities	<u>(28,968)</u>	---	<u>(28,968)</u>
Cash Flows from Financing Activities			
Issuance costs	(113,796)	---	(113,796)
Issuance of capital stock	617,800	---	617,800
Cash Flows Provided by (Used In) Financing Activities	<u>504,004</u>	---	<u>504,004</u>
Increase in Cash and Cash Equivalent	475,036	---	475,036
Cash and Cash equivalent			
Beginning of the period	---	---	---
End of the period	<u>\$ 475,036</u>	<u>\$ ---</u>	<u>\$ 475,036</u>