SURREY CAPITAL CORP.

FINANCIAL STATEMENTS

AUGUST 31 2012 AND 2011

SURREY CAPITAL CORP.

FINANCIAL STATEMENTS

AUGUST 31, 2012

CONTENTS

Management's Responsibility

To the Shareholders of Surrey Capital Corp.:

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 ("**CGAAP**") that have been revised to incorporate International Financial Reporting Standards ("**IFRS**") and ensuring that all information in the management discussion and analysis is consistent with these financial statements. 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 primarily of directors who are neither management nor employees of Surrey Capital Inc. and the Audit Committee is comprised entirely of directors that are neither management nor employees. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and with the external auditors. The Board is also responsible for recommending the appointment of the external auditor of Surrey Capital Corp.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board, Audit Committee, and management to discuss their audit findings.

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

September 27, 2012
Toronto, Ontario

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 statements of financial position as at August 31, 2012, August 31, 2011 and September 13, 2010, and the statements of shareholders' equity, statements of operations and comprehensive loss and statements of cash flows for the period from September 13, 2010 to August 31, 2011 and for the year ended August 31, 2012, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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 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, 2012, August 31, 2011 and September 13, 2010, and its financial performance and its cash flows for the period from September 13, 2010 to August 31, 2011 and for the year ended August 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter
We draw attention to Note 1 to the financial statements which describes the uncertainties related to the continuing operations of Surrey Capital Corp. being dependent on its ability to complete a qualifying transaction. Our opinion is not qualified in respect of this matter.

MNP LLP
Chartered Accountants
Licensed Public Accountants

September 27, 2012
Toronto, Ontario

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

As at	August 31, 2012	August 31, 2011	September 13, 2010
		(Note 15)	(Note 15)
A S S E T S			
CURRENT			
Cash and cash equivalents (Note 5)	$ 445,252	$ 475,036	$ - - -
Sundry receivables	1,783	1,292	- - -
Prepaid expenses	1,733	- - -	- - -
	$ 448,768	$ 476,328	$ - - -
L I A B I L I T I E S			
CURRENT			
Accounts payable and accrued liabilities	$ 10,229	$ 7,000	$ - - -
	10,229	7,000	- - -
S H A R E H O L D E R S' E Q U I T Y			
SHARE CAPITAL (Note 6)			
Issued and Outstanding – 2012 & 2011 7,428,000, 2010	496,386	496,386	- - -
CONTRIBUTED SURPLUS (Note 7)	28,273	28,273	- - -
ACCUMULATED DEFICIT	(86,120)	(55,331)	- - -
	438,539	469,328	- - -
	$ 448,768	$ 476,328	$ - -

Nature of Organization (Note 1)
Contingency (Note 10)

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.
STATEMENTS OF SHAREHOLDER'S EQUITY
(All Amounts are in Canadian Dollars)

	Number of Common Shares		Amount of Common Shares		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 of common shares	- - -		(121,414)		7,618				(113,796)
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
Net loss for the year	- - -		- - -		- - -		(30,789)		(30,789)
Balance, August 31, 2012	7,428,000	$	496,386	$	28,273	$	(86,120)	$	438,539

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

For the Period from To August 31,	**Sept 1, 2011 2012**	**Sept 13, 2010 2011**
EXPENSES		
General and administrative (Note 11)	$ 36,076	$ 50,000
LOSS BEFORE UNDERNOTED	(36,076)	(50,000)
INTEREST INCOME	5,287	2,920
PROJECT ANALYSIS COSTS	- - -	(8,251)
NET LOSS AND COMPREHENSIVE LOSS	$ (30,789)	$ (55,331)
NET LOSS PER COMMON SHARE		
Loss per common share – basic and diluted	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	7,428,000	5,511,216

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

For the Period from To August 31,	**Sept 1, 2011 2012**	**Sept 13, 2010 2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year and for the period	$ (30,789)	$ (55,331)
Non-cash expenses:		
Charitable stock options (Note 8)	- - -	1,878
Share-based payments (Note 8)	- - -	18,777
	(30,789)	(34,676)
Net change in operating assets and liabilities		
Sundry receivable	(491)	(1,292)
Prepaid expenses	(1,733)	- - -
Accounts payable and accrued liabilities	3,229	7,000
CASH FLOWS USED IN OPERATING ACTIVITIES	(29,784)	(28,968)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common share issuance costs	- - -	(113,796)
Issuance of common shares	- - -	617,800
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	- - -	504,004
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,784)	475,036
CASH AND CASH EQUIVALENTS - Beginning of period	475,036	- - -
CASH AND CASH EQUIVALENTS - End of period	$ 445,252	$ 475,036
CASH AND CASH EQUIVALENTS, represented as follows:		
Cash	$ 145,252	$ 25,036
Short-term deposit	300,000	450,000
SUPPLEMENTAL INFORMATION		
Interest received	$ 5,645	$ 2,145
Interest paid	—	—
Income taxes paid	—	—
NON-CASH FINANCING ACTIVITY		
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 prepaid expenses 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.

The Corporation's registered head office is 466A Ellerslie Ave, Toronto, Ontario, M2R 1C4.

These financial statements of the Corporation were authorized for issue in accordance with a resolution of the board of directors on September 27, 2012.

Basis of Operations
These financial statements have been prepared in accordance with International Financial Reporting Standards 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. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Corporation be unable to continue its operations.

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
These financial statements have been prepared in accordance Canadian Generally Accepted Accounting Principles ("**CGAAP**") that have been revised to incorporate International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**").

2. Basis of Preparation - continued

This is the first fiscal year in which the Corporation's financial statements are prepared in accordance with CGAAP since it has been revised to incorporate IFRS. The disclosures required by the provisions of IFRS 1, "First-time adoption of International Financial Reporting Standards" ("IFRS 1"), 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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3. Summary of Significant Accounting Policies

Basis of Measurement
These financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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.

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.

3. Summary of Significant Accounting Policies - continued

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 (Loss) Per Share
Earnings (loss) per share is calculated by dividing the net loss applicable to common shares by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net loss applicable to common shares by the diluted weighted average number of shares 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.

3. Summary of Significant Accounting Policies - continued

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("**FVTPL**"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Fair Value Through Profit or Loss
A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

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.

(All Amounts are in Canadian Dollars)

3. Summary of Significant Accounting Policies - continued

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.

The following is a summary of significant categories of financial instruments outstanding at August 31, 2012:

Cash	Fair value through profit and loss
Sundry receivables	Loans and receivables
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	$ 445,252	$ 445,252
Loans and receivables	1,783	1,783
Other financial liabilities	10,229	10,229

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:

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).

As of August 31, 2012 cash and cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

3. Summary of Significant Accounting Policies - continued

Impairment of non-financial assets
The Corporation's assets are reviewed for indications of impairment at each statement of financial position's date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets the unit on a pro-rata basis.

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.

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.

3. Summary of Significant Accounting Policies - continued

Recent Accounting Pronouncements
Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("**IFRIC**") that are not yet effective for the year ending August 31, 2012. 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, 2015, 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 condensed interim financial statements and annual 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.

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.

(iii) International Accounting Standard ("**IAS**") 1, 'Presentation of Financial Statements' was amended to stipulate the presentation of net earnings and other comprehensive income ("**OCI"**)and also require the grouping of items within OCI based on whether the items may be subsequently reclassified to profit or loss. This amendment is applicable for annual periods beginning on or after January 1, 2011.

(iv) IAS 12, 'Income Taxes' was amended to require that deferred tax on non-depreciable assets be determined based on the rebuttable presumption that the assets will be recovered entirely through sale. This amendment is applicable for annual periods beginning on or after January 1, 2012.

(v) IAS 19, 'Employee Benefits' was amended to require recognition of changes in the defined benefit obligations and in fair value of plan assets when they occur, hence accelerating the recognition of past service costs. This amendment is applicable for annual periods beginning on or after January 1, 2013.

(vi) IAS 32, 'Financial Instruments: Presentation' was amended to provide specific guidance for when an entity can offset financial assets and liabilities by clarifying when a legally enforceable right to do so exists, and when an entity meets the criterion for the intent to settle on a net basis. This amendment is applicable for annual periods beginning on or after January 1, 2014.

The Corporation is currently assessing the impact of adopting these standards.

4. Summary of Accounting Estimates and Assumptions

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.

4. Summary of Accounting Estimates and Assumptions - continued

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, dividend yield and forfeiture rate of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 8.

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.

5. Cash and Cash Equivalents

As at August 31, 2012, cash and cash equivalents of $445,252 (2011 - $475,036) includes $349,608 (2011 - $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 of, a proposed Qualifying Transaction and $95,644 (2011 - $122,058) which may be used for administrative and general expenses.

6. Share Capital

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.

(All Amounts are in Canadian Dollars)

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
Vesting of charitable stock options	1,878	- - -	- - -	1,878
Vesting of incentive stock options	- - -	18,777	- - -	18,777
Balance, August 31, 2011 and 2012	$ 1,878	$ 18,777	$ 7,618	$ 28,273

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%
Forfeiture rate	0.0%
Fair value	$0.025

(All Amounts are in Canadian Dollars)

8. Stock Options and Warrants - continued

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 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 August 31, 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	3.7 years	$ 0.10	74,280	$ 0.10
0.10	742,800	January 27, 2021	8.7 Years	0.10	742,800	0.10

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%
Forfeiture rate	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 and 2012	492,800	$ 0.10

(All Amounts are in Canadian Dollars)

8. Stock Options and Warrants - continued

The warrants that are issued and outstanding as at August 31, 2012 are as follows:

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

9. 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, 2012, the Corporation recorded $21,000 (2011 - $34,311) in respect of the reimbursement 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.

At August 31, 2012, $Nil (2011 - $Nil) was due to a related party is included in accounts payables and accrued liabilities.

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.

10. Contingency

While the Corporation has 24 months from the date of listing being February 2011 to complete a 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, 2012, no issues were outstanding.

11. General and Administrative

For the period from To August 31,	Sept. 1, 2011 2012	Sept. 13, 2010 2011
Bank charges	$ 25	$ 139
Office expenses	11,010	14,128
Professional fees	4,375	5,906
Regulatory and filing fees	10,676	3,000
Premises	9,000	8,050
Share-based payments	- - -	18,777
Telecommunication	990	- - -
	$ 36,076	$ 50,000

(All Amounts are in Canadian Dollars)

12. 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 27.08% (2011 - 30.0%) to the net loss for the periods. The reason for the difference is as follows:

	2012	2011
Statutory Rate	27.08%	30.00%
Loss before income taxes	$ (30,789)	$ (55,331)
Recovery of income taxes based on statutory rate	(8,339)	(16,599)
Adjsutment to income taxes:		
Share-based payments (permanent difference)	-	5,633
Changes in rates of temporary differences	(2,370)	3,042
Unrecognized benefit of deductible temporary differences	-	(31,568)
Change in deferred tax assets not recognized	10,709	39,492
Income tax recovery	$ -	$ -

The Corporation's deferred income tax asset, computed by applying a future federal and provincial statutory rate of 26.5% (2011 – 25%), comprises the following:

	August 31, 2012	August 31, 2011
Non-capital losses carried forward	$ 30,716	$ 15,209
Share issuance costs	19,305	24,283
Deferred tax assets not recognized	(50,021)	(39,492)
	$ -	$ -

At August 31, 2012, the Corporation has a non-capital loss of $121,196 (2011 - $60,837) available for carry-forward which has not been recognized in these financial statements. These losses expire as follows:

Year	Amount
2031	$ 60,837
2032	60,356
	$ 121,196

The Corporation has not recorded deferred tax assets related to these unused carry forward losses and shares issuance costs as it is not probably that future taxable profits will be available against which these losses can be utilized.

(All Amounts are in Canadian Dollars)

13. Risk Management

In addition to the restrictions placed on the use of cash discussed in note 5, 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 in order at adjust the amount of cash on its balance sheet.

The Corporation's capital structure is as follows:

August 31,	2012	2011
Share capital	$ 496,386	$ 496,386
Contributed surplus – general	1,878	1,878
Contributed surplus – incentive stock options	18,777	18,777
Contributed surplus – warrants	7,618	7,618
Accumulated deficit	(86,120)	(55,331)
	$ 438,539	$ 469,328

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.

Management reviews its approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable.

14. Financial Instruments

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.

14. Financial Instruments - continued

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.

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

15. Conversion to IFRS

(i) *Overview*
As stated in Basis of Preparation note 2, these financial statements have been prepared in accordance with CGAAP, which now incorporates 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 year ended August 31, 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.

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. 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.

(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 expensed over the vesting period using straight-line method, with an offsetting credit to contributed surplus.

(All Amounts are in Canadian Dollars)

15. Conversion to IFRS - continued

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
Current Assets			
Cash and cash equivalents	$ - - -	$ - - -	$ - - -
	$ - - -	$ - - -	$ - - -
Shareholders' equity			
Capital stock	- - -	- - -	- - -
	$ - - -	$ - - -	$ - - -

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

	CGAAP	Effect of Transition to IFRS	IFRS
Current Assets			
Cash and cash equivalents	$ 475,036	$ - - -	$ 475,036
Sundry receivables	1,292	- - -	1,292
	$ 476,328	$ - - -	$ 476,328
Current Liabilities			
Accounts payable and accrued liabilities	$ 7,000	$ - - -	$ 7,000
	7,000	- - -	7,000
Shareholders' equity			
Share capital	496,386	- - -	496,386
Contributed surplus	28,273		28,273
Accumulated Deficit	(55,331)	- - -	(55,331)
	469,328	- - -	469,328
	$ 476,328	$ - - -	$ 476,328

(All Amounts are in Canadian Dollars)

15. Conversion to IFRS - continued

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			
General and administrative	$ 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)

The period from September 13, 2010 to August 31, 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
Share-based payments	18,777	- - -	18,777
	(34,676)	- - -	(34,676)
Changes in operating assets and liabilities:			
Sundry receivables	(1,292)	- - -	(1,292)
Accounts payable and accrued liabilities	7,000	- - -	7,000
Cash Flows Provided by (Used In) Operating Activities	(28,968)	- - -	(28,968)
Cash Flows from Financing Activities			
Common share issuance costs	(113,796)	- - -	(113,796)
Issuance of common shares	617,800	- - -	617,800
Cash Flows Provided by (Used In) Financing Activities	504,004	- - -	504,004
Increase in Cash and Cash Equivalents	475,036	- - -	475,036
Cash and Cash equivalents			
Beginning of the period	- - -	- - -	- - -
End of the period	$ 475,036	$ - - -	$ 475,036