Aileron Ventures Limited

Financial Statements

December 31, 2011

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Independent Auditors' Report

To the Shareholders
Aileron Ventures Limited

We have audited the accompanying financial statements of Aileron Ventures Limited, which comprise the statement of financial position as at December 31, 2011, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 Aileron Ventures Limited as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

CHARTERED ACCOUNTANTS

Calgary, Canada
April 25, 2012

Aileron Ventures Limited

(Incorporated under the laws of Alberta)

Statement of Financial Position

(expressed in Canadian dollars)

	Notes	December 31, 2011	December 31, 2010	May 31, 2010
Assets				
Current assets				
Cash	3(a)	$ 5,285	$ 12,500	
Accounts receivable	3(b)	-	-	25,000
GST receivable		510		
Investment	4	18,500	-	-
Investment in affiliate	4	-	12,815	-
		$ 24,295	$ 25,315	$ 25,000
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities		$ 8,000	$ 2,500	$ -
Due to affiliate	5	2,776	1,250	-
		10,776	3,750	-
Shareholder's Equity				
Share capital	6	27,770	25,000	25,000
Deficit		(14,251)	(3,435)	-
		13,519	21,565	25,000
		$ 24,295	$ 25,315	$ 25,000

Approved by the Board, April 25, 2012

(signed) *"Harold Kunik"*, Director

(signed) *"John Mackay"*, Director

Aileron Ventures Limited

Statement of Loss and Comprehensive Loss

For the year ended December 31, 2011

(with comparatives for the period from incorporation on May 31, 2010 to December 31, 2010)

(expressed in Canadian dollars)

	Notes	2011	2010
Revenue		$ -	$ 315
Expenses			
Bank Charges		36	-
General and administrative		2,116	-
Management fees		-	1,250
Professional fees		11,579	2,500
Unrealized gain on investment		(2,915)	-
		10,816	3,750
Net loss and comprehensive loss		$ (10,816)	$ (3,435)

Aileron Ventures Limited

Statement of Changes in Shareholders' Equity

(with comparatives for the period from incorporation on May 31, 2010 to December 31, 2010)
(expressed in Canadian dollars)

	Notes	Number of Common Shares	Common Shares Stated Value	Deficit	Total Equity
Issued for cash on incorporation		25,000	25,000	-	25,000
As at May 31, 2010		25,000	25,000	-	25,000
Share split	6	8,675,000	-	-	-
Net loss		-	-	(3,435)	(3,435)
As at December 31, 2010		8,700,000	25,000	(3,435)	21,565
Shares issued		964,155	2,770	-	2,770
Net loss		-	-	(10,816)	(10,816)
As at December 31, 2011		9,664,155	$ 27,770	$ (14,251)	$ 13,519

Aileron Ventures Limited

Statements of Cash Flows

(with comparatives for the period from incorporation on May 31, 2010 to December 31, 2010)
(shown in Canadian dollars)

	Notes	2011	2010
Net loss		$ (10,816)	$ (3,435)
Non-cash items:			
Unrealized gain on investment		(2,915)	-
		(13,731)	(3,435)
Changes in non-cash working capital			
Accounts receivable		(510)	-
Accounts payable and accrued liabilities		5,500	2,500
Due to affiliate	5	1,526	1,250
		(7,215)	315
Financing activity			
Issuance of share capital		-	25,000
		-	25,000
Investing activity			
Investment in affiliate	4	-	(12,815)
Change in cash and cash equivalents		(7,215)	12,500
Cash, beginning of period		12,500	-
Cash, end of period	3(a)	$ 5,285	$ 12,500

1. General business description

Aileron Ventures Limited (the "Company" or "Aileron"), formerly 1539467 Alberta Ltd., was incorporated on May 31, 2010 under the Business Corporations Act (Alberta). To December 31, 2011, the only operations of the Company have been the investments (see note 4).

On January 11, 2011, the Company's affiliate, Altius, issued a joint management information circular and proxy statement relating to the proposed amalgamation of Altius and Immunall Science Inc. ("Immunall"). Under the terms of the proposed amalgamation, each Immunall shareholder received, for each common share of Immunall held, one common share in the amalgamated entity, 0.025 of a share in Aileron Ventures Limited and 0.025 of a share in Nautor Progressive Corporation. Each Aileron shareholder received, for each common share of Aileron held, one common share in the amalgamated entity. The proposed amalgamation was approved by shareholders and completed on March 31, 2011.

The address, and principal place of business of the Company is Suite 400, 2424 - 4th Street SW, Calgary, Alberta, Canada, T2S 2T4

2. Basis of preparation

(a) Statement of compliance

These statements are the Company's first annual audited financial statements to be issued under International Financial Reporting Standards ("IFRS"). As a result, they have been prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". Previously, the Company prepared its annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The preparation of these financial statements resulted in selected changes to the Company's accounting policies as compared to those disclosed in the Company's annual audited financial statements for the period ended December 31, 2010 issued under Canadian GAAP. A summary of significant changes to the Company's accounting policies is disclosed in note 11 along with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at May 31, 2010, and as at and for the period ended December 31, 2010.

A summary of the Company's significant accounting policies under IFRS is presented in note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1 as disclosed in note 11.

The financial statements were approved for issue by the Board of Directors on April 25, 2012.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

(i) derivative financial instruments, if any, are measured at fair value; and
(ii) held for trading financial assets are measured at fair value with changes in fair value recorded in earnings.

The methods used to measure fair values are discussed in note 4 and 9(c).

(c) Functional and presentation currency

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

(d) 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 application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 4 - investments and investment in affiliate
Note 7 - Income tax expense

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity:

Investment

The investment is carried at fair value. Because the shares are not actively traded and the Company is not an active company, the investment has been valued based on a calculation of tangible asset backing.

Income taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of the Company utilizing certain tax pools and assets which in turn are dependent on estimates of future taxable income. The availability of tax pools is subject to audit and interpretation by taxation authorities.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Company.

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts on deposit with banks, guaranteed investment certificates held with banks and other short term highly liquid investments with maturities of 90 days or less at the date of issue

(b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) *Financial assets*

Financial assets include accounts receivable and investments. Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

Financial assets at fair value through profit or loss

Classification

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy. The Company has designated cash and investment as held for trading. Derivatives are also categorized as held for trading unless they are designated as hedges.

Recognition and measurement

Financial assets carried at fair value through profit or loss are initially recognized, and subsequently carried, at fair value, with changes recognized in the income statement. Transaction costs are expensed when incurred.

Loans and receivables

Classification

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 those with maturities greater than 12 months after the balance sheet date, which are classified as noncurrent assets. The Company classified accounts receivable as loans and receivables.

Recognition and measurement

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Available for sale financial assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They consist of investments in equity securities and certain other debt securities. They are included in other non-current financial assets unless management intends to dispose of the investment within 12 months of the balance sheet date. The Company has not designated any financial assets as available for sale.

Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

(ii) *Financial liabilities*

Financial liabilities primarily consist of accounts payables and accrued liabilities and due to affiliate. Financial liabilities are initially measured at fair value and subsequently measured at amortized cost for liabilities that are not hedged, and fair value for liabilities that are hedged. Non performance risk, including the Company's own credit risk for financial liabilities, is considered when determining the fair value of financial assets or liabilities, including derivative liabilities.

(iii) *Derivative financial instruments*

The Company may enter into, from time to time, certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through profit or loss and are recorded on the balance sheet at fair value with changes in fair value recorded in the income statement. Transaction costs are recognized in the income statement as incurred. Proceeds and costs realized from holding these financial instruments are recognized in profit or loss at the time each transaction under a contract is settled.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in the income statement. The Company has not identified any embedded derivatives in any of its financial instruments.

(iv) *Impairment*

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset, other than those at fair value through profit or loss, or a group of financial assets is impaired. When an impairment has occurred, the cumulative loss is recognized in profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. For receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available for sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

(c) Investments

The value of the investment in affiliate was exchanged for approximately 4.5% of the outstanding shares of Immunall on March 31, 2011. The Company does not have significant influence over the operations of Immunall and therefore accounts for the investment as a held for trading financial asset.

(d) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, and the carry forward of non capital losses, can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered and/or the carrying value of temporary differences exceed their tax basis.

(e) Provisions and contingent liabilities

Provisions and contingent liabilities are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Provisions and contingent liabilities are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(f) Recent accounting pronouncements

Financial Instruments (IFRS 9)

The IASB intends to replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”) with IFRS 9, “Financial Instruments” (“IFRS 9”). IFRS 9 will be published in three phases, of which the first phase has been published.

For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. For financial liabilities, the approach to the fair value option may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk.

IFRS 9 is currently effective for annual periods beginning on or after January 1, 2013. However, the IASB has published an exposure draft which proposes to extend the mandatory effective date to January 1, 2015. There will be no significant impact to the Company upon implementation of the published standard.

Financial Instruments: Disclosure (IFRS 7)

The modifications to this standard address disclosures related to transfers of financial assets and the derecognition of financial assets by a reporting entity. This amendment is required to be applied for annual periods beginning on or after July 1, 2011.

Fair Value Measurements (IFRS 13)

In May 2011, the IASB issued IFRS 13, "Fair Value Measurement" which provides a consistent and less complex definition of fair value, establishes a single source of guidance for determining fair value, and introduces consistent requirements for disclosures related to fair value measurement. Prospective application of this standard is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of this standard.

Reporting Entity (IFRS 10, 11 and 12)

In May 2011, The IASB issued IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosures of Interest in Other Entities" and amendments to both IAS 27, "Consolidated and Separate Financial Statements" and IAS 28 "Investments in Associates".

IFRS 10 creates a single consolidation model by revising the definition of control in order to apply the same control criteria to all types of entities, including joint arrangements, associates and special purpose vehicles. IFRS 11 establishes a principle-based approach to the accounting for joint arrangements by focusing on the rights and obligations of the arrangement and limits the application of proportionate consolidation to arrangements that meet the definition of a joint operation. IFRS 12 is a comprehensive disclosure standard for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles.

Retrospective application of these standards with relief for certain transactions is effective for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted if all of the standards are collectively adopted. The Company is assessing the impact of these standards.

Employee Benefits (IAS 19)

In June 2011, the IASB issued amendments to IAS 19, "Employee Benefits" which revises the recognition, presentation and disclosure requirements for defined benefit plans. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted. There will be no significant impact to the Company upon implementation of the amended standard.

Presentation of Items of Other Comprehensive Income (IAS 1)

In June 2011, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" requiring corporations to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. Retrospective application of this amendment is effective for fiscal years beginning on or after July 1, 2012, with earlier adoption permitted. There will be no significant impact to the Company upon implementation of the amended standard.

4. Investment and Investment in affiliate

The investment is related to the conversion of the previous investment in affiliate (Altius) outlined in Note 1 to an investment in Immunall which represents a minority interest of approximately 4.5%. As the Company owns a minority position, the investment is accounted for as a held for sale financial asset, which is measured at fair value. At December 31, 2011, the fair value was $18,500.

Investment in affiliate consisted of a 50% holding in Altius Edge Ltd. ("Altius") and was accounted for using the equity method.

5. Due to affiliate

The amount due to affiliate was $2,776 as of December 31, 2011 (December 31, 2010 $1,250).

The amount owing of $2,776 as of December 31, 2011 was to Mosaic Limited Partnership for legal fees and is unsecured and non-interest bearing. The amount owing of $1,250 as at December 31, 2010 was to Altius for management fees, was unsecured, non-interest bearing and has since been repaid.

6. Share capital

Authorized
Unlimited Common voting shares
Unlimited Preferred shares, issuable in series, with the rights, privileges, restrictions and conditions determined by the Board of Directors upon issuance

On December 29, 2010, the Company completed a 348:1 share split.

7. Income tax expense

Reconciliation of effective tax rate:

	2011	2010
Loss before income tax	$ (10,816)	$ (3,435)
Statutory tax rate	26.5%	28%
Expected income tax recovery	(2,866)	(1,050)
Tax losses not recognized	2,866	1,050
Total income tax recovery	$ -	$ -

Recognized deferred tax assets and liabilities:

Deferred tax assets and liabilities are attributable to the following:

	2011	2010
Deferred tax assets		
Non-capital losses	$ 3,639	$ 1,050
Less: Valuation allowance	(3,639)	(1,050)
Net deferred tax asset	$ -	$ -

The Company has available the following estimated non-capital loss carry forwards for which a deferred tax asset has not been recognized in the financial statements:

Year of Expiry	Amount
2030	$ 3,435
2031	$ 13,731

8. Capital disclosures

The Company's policy when managing capital is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business.

The Company includes shareholders' equity in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust spending, issue new units or incur debt.

The Company has not changed its capital management policies during the year.

The Company is not subject to externally imposed capital requirements.

9. Financial instruments and risk management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company has the following financial instruments:

Cash and investment are designated as held-for-trading and are measured at fair value. Accounts receivable is classified as loans and receivables and accounts payable and accrued liabilities and due to affiliate are classified as other financial liabilities and are measured at amortized cost.

The Company is exposed to financial risk arising from its financial assets. The Company manages its exposure to financial risks in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are as follows:

(a) Credit risk

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company mitigates its exposure to credit loss by placing its cash with major financial institutions.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

(c) Fair values

The fair value of cash, accounts payable and accrued liabilities and due to affiliate approximate their carrying value because of the short-term nature.

The fair value of transactions are classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The Company's cash is transacted in active markets and has been classified using Level 1 inputs. The investment has been valued using Level 2 inputs.

10. Personnel expenses

There were no amounts paid to employees, officers or directors during the periods ended December 31, 2011 and 2010.

11. Transition to IFRS

As stated in Note 2(a), these financial statements are prepared in accordance with IFRS.

The policies set out in Note 3 have been applied in preparing the financial statements for the three and nine month periods ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of the opening IFRS statement of financial position as at May 31, 2010 (the Company’s date of transition to IFRS) which is the Company’s date of incorporation.

The Company has followed the recommendations in IFRS-1 “First-time adoption of IFRS”, in preparing its transitional statements. IFRS-1 permits specific one-time choices and mandates specific one-time exceptions with respect to first-time adoption of IFRS.

Choices available at first-time adoption

a) Property and equipment – IFRS 1 provides a choice between measuring property and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. The Company currently and historically has not had any assets in this class and has therefore not had to restate any values.

b) Business combinations – IFRS 3, Business Combinations (CICA Section 1582) may be applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to January 1, 2010. The Company has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to January 1, 2010 and such business combinations will not be restated. Any goodwill arising on such business combinations before January 1, 2010 will not be adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions except as required under IFRS 1. However, the Company has early adopted CICA Section 1582 effective May 31, 2010.

Exceptions that are mandated by IFRS-1

a) Hedge accounting – Hedge accounting can only be applied prospectively from January 1, 2010 to transactions that satisfy the hedge accounting criteria in IAS 39 at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. There was no material transaction impact under this exception.

b) Estimates – IFRS-1 prohibits use of hindsight to create or revise previous estimates. The estimates the Company previously made under Canadian GAAP have not been revised for application of IFRS.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in its financial statements prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). As illustrated by the reconciliations below, the transition from Canadian GAAP to IFRS has had no effect on the Company's financial position, financial performance and cash flows.

Reconciliation of condensed statement of financial position as at May 31, 2010 from Canadian GAAP to IFRS:

	Notes	Canadian GAAP	Reclassification upon transition to IFRS	Effect of transition to IFRS	IFRS
ASSETS					
Current assets					
Cash		$ -	$ -	$ -	$ -
Accounts receivable		25,000	-	-	25,000
Investment		-	-	-	-
Investment in affiliate		-	-	-	-
		$ 25,000	$ -	$ -	$ 25,000
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$ -	$ -	$ -	$ -
Due to affiliate		-	-	-	-
Total current liabilities		-	-	-	-
Equity					
Share capital		25,000	-	-	25,000
Deficit		-	-	-	-
		25,000	-	-	25,000
		$ 25,000	$ -	$ -	$ 25,000

There was no income or expense as at May 31, 2010 and accordingly there is nothing to report for the statement of loss and comprehensive loss.

Reconciliation of condensed statement of changes in equity as at May 31, 2010:

	Notes	
Total equity under Canadian GAAP		$ 25,000
Total adjustment to equity		$ -
Total equity under IFRS		$ 25,000

There was no cash on hand as at May 31, 2010 and accordingly there is nothing to report for the statement of cash flows.

Reconciliation of condensed statement of financial position as at December 31, 2010 from Canadian GAAP to IFRS:

	Notes	Canadian GAAP	Reclassification upon transition to IFRS	Effect of transition to IFRS	IFRS
ASSETS					
Current assets					
Cash		$ 12,500	$ -	$ -	$ 12,500
Accounts receivable		-	-	-	-
Investment		-	-	-	-
Investment in affiliate		12,815	-	-	12,815
		$ 25,315	$ -	$ -	$ 25,315
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$ 2,500	$ -	$ -	$ 2,500
Due to affiliate		1,250	-	-	1,250
Total current liabilities		3,750	-	-	3,750
Equity					
Share capital		25,000	-	-	25,000
Deficit		(3,435)	-	-	(3,435)
		21,565	-	-	21,565
		$ 25,315	$ -	$ -	$ 25,315

Reconciliation of loss and comprehensive loss for the period ended December 31, 2010:

	Notes	Canadian GAAP	Reclassification upon transition to IFRS	Effect of transition to IFRS	IFRS
Revenue		$ 315	$ -	$ -	$ 315
Expenses					
Management fees		1,250	-	-	1,250
Professional fees		2,500	-	-	2,500
		3,750	-	-	3,750
Loss and comprehensive loss for the period		$ (3,435)	$ -	$ -	$ (3,435)

Reconciliation of condensed statement of changes in equity for the period ended December 31, 2010:

	Notes		
Total equity under Canadian GAAP		$	25,000
Total adjustment to equity		$	-
Total equity under IFRS		$	25,000

Reconciliation of condensed statement of cash flows for the period ended December 31, 2010:

	Notes	Canadian GAAP	Reclassification upon transition to IFRS	Effect of transition to IFRS	IFRS
Cash and cash equivalents provided by (used in):					
Cash flows from operating activities					
Loss for the period		$ (3,435)	$ -	$ -	$ (3,435)
Adjustments for:					-
Equity in income of affiliate		(315)			(315)
		(3,750)	-	-	(3,750)
Accounts payable and accrued liabilities		2,500	-	-	2,500
Due to affiliate		1,250	-	-	1,250
Net cash used in operating activities		-	-	-	-
Cash flow from investing activities					
Investment in affiliate		(12,500)			(12,500)
Net cash unused in investing activities		(12,500)	-	-	(12,500)
Cash flow from financing activities					
Shares Issued (net of issuance costs)		25,000	-	-	25,000
Net cash from financing activities		25,000	-	-	25,000
Change in cash and cash equivalents		12,500	-	-	12,500
Cash and cash equivalents, beginning of period		-			-
Cash and cash equivalents, end of period		$ 12,500	$ -	$ -	$ 12,500

Explanation of transition to IFRS

Under IFRS 1 “First time Adoption of International Financial Reporting Standards”, IFRS are applied retrospectively at the date of transition. IFRS 1 contains a number of optional exemptions which companies are permitted to apply. The Company did not apply any IFRS 1 exemptions and applied the full retrospective application of IFRS along with the mandatory exceptions under IFRS 1.

The applicable mandatory exception in IFRS 1 applied in the conversion from Canadian GAAP to IFRS is "Estimates". Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.