

Aileron Ventures Limited
Financial Statements
December 31, 2012 and 2011

Independent Auditors' Report

To the Shareholders of
Aileron Ventures Limited

We have audited the accompanying financial statements of Aileron Ventures Limited, which comprise the statements of financial position as at December 31, 2012 and December 31, 2011, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity (deficiency) and statements of cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 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.

We believe that the audit evidence we have obtained in our audits 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, 2012 and December 31, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to note 2 to the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
April 26, 2013

Aileron Ventures Limited
Statements of Financial Position
December 31, 2012 and 2011

(expressed in Canadian dollars)

	Notes	2012	2011
Assets			
Current assets			
Cash		\$ 118	\$ 5,285
GST receivable		<u>-</u>	<u>510</u>
		118	5,795
Investment	5	<u>9,250</u>	<u>18,500</u>
		<u>\$ 9,368</u>	<u>\$ 24,295</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 4,500	\$ 8,000
Due to affiliate	6	<u>18,649</u>	<u>2,776</u>
		<u>23,149</u>	<u>10,776</u>
Shareholder's Equity (Deficiency)			
Share capital	7	27,770	27,770
Deficit		<u>(41,551)</u>	<u>(14,251)</u>
		<u>(13,781)</u>	<u>13,519</u>
		<u>\$ 9,368</u>	<u>\$ 24,295</u>
Going concern	2		

See accompanying notes.

Approved by the Board,

(signed) "Harold Kunik", Director

(signed) "John Mackay", Director

Aileron Ventures Limited
Statements of Loss and Comprehensive Loss
Years Ended December 31, 2012 and 2011
(expressed in Canadian dollars)

	Notes	2012	2011
Revenue		\$ <u>-</u>	\$ <u>-</u>
Expenses			
Bank charges		359	36
General and administrative		11,466	2,116
Professional fees		<u>6,225</u>	<u>11,579</u>
		<u>18,050</u>	<u>13,731</u>
Loss from operations		(18,050)	(13,731)
Unrealized (loss) gain on investment	5	<u>(9,250)</u>	<u>2,915</u>
Net loss and comprehensive loss		<u>\$ (27,300)</u>	<u>\$ (10,816)</u>
Basic loss per share	7(d)	<u>\$ (0.003)</u>	<u>\$ (0.001)</u>

See accompanying notes.

Aileron Ventures Limited

Statements of Changes in Shareholders' Equity (Deficiency)

Years Ended December 31, 2012 and 2011

(expressed in Canadian dollars)

	Notes	Number of Common Shares	Common Shares stated value	Deficit	Total Equity (Deficiency)
As at December 31, 2010		8,700,000	\$ 25,000	\$ (3,435)	\$ 21,565
Shares issued	7(c)	964,155	2,770	-	2,770
Net loss for the year		<u>-</u>	<u>-</u>	<u>(10,816)</u>	<u>(10,816)</u>
As at December 31, 2011		9,664,155	27,770	(14,251)	13,519
Net loss for the year		<u>-</u>	<u>-</u>	<u>(27,300)</u>	<u>(27,300)</u>
As at December 31, 2012		<u>9,664,155</u>	<u>\$ 27,770</u>	<u>\$ (41,551)</u>	<u>\$ (13,781)</u>

See accompanying notes.

Aileron Ventures Limited
Statements of Cash Flows
Years Ended December 31, 2012 and 2011
(expressed in Canadian dollars)

	2012	2011
Operating activities		
Net loss	\$ (27,300)	\$ (10,816)
Items not affecting cash:		
Unrealized loss (gain) on investment	<u>9,250</u>	<u>(2,915)</u>
	(18,050)	(13,731)
Changes in non-cash working capital		
GST receivable	510	(510)
Accounts payable and accrued liabilities	<u>(3,500)</u>	<u>5,500</u>
	<u>(21,040)</u>	<u>(8,741)</u>
Financing activity		
Advances from affiliate	<u>15,873</u>	<u>1,526</u>
Change in cash	(5,167)	(7,215)
Cash, beginning of year	<u>5,285</u>	<u>12,500</u>
Cash, end of year	<u>\$ 118</u>	<u>\$ 5,285</u>

See accompanying notes.

Aileron Ventures Limited
Notes to Financial Statements
December 31, 2012 and 2011
(expressed in Canadian dollars)

1. General business description

Aileron Ventures Limited (the "Company"), formerly 1539467 Alberta Ltd., was incorporated on May 31, 2010 under the Business Corporations Act (Alberta). To date, the only operations of the Company have been the investment (note 5).

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

2. Going concern

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate to the carrying values and classifications of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

At December 31, 2012, the Company had not yet achieved profitable operations, and recorded a net loss during the year of \$27,300 (2011 – \$10,816), has a working capital deficiency of \$23,031 (2011 - \$4,981), has accumulated a deficit of \$41,551 (2011 - \$14,251) since inception and expects to incur further losses in the development of its business.

The ability of the Company to continue as a going concern is dependent on its ability to receive continued financial support from its affiliate, raise additional debt or equity financing or identify business operations that generate positive cash flows.

3. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issue by the Board of Directors (the "Board") on April 26, 2013.

(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.

Aileron Ventures Limited
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The methods used to measure fair values are discussed in note 10.

(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 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.

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 based on trading value of the investment at December 31, 2012. In 2011, because the shares were not actively traded and the investment was not an active company, the investment was valued based on a calculation of tangible asset backing.

Deferred income taxes

Deferred income taxes are based on estimates as to the timing of the reversal of temporary differences, tax rates currently substantively enacted and the determination of tax assets not recognized. Tax assets not recognized is based on estimates of the probability of the Company utilizing certain tax pools and losses in future periods.

4. 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. The Company does not have any cash equivalents as at December 31, 2012 or 2011.

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(b) 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 or other comprehensive income.

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.

(c) Net loss per share

Net loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is not presented as the Company does not have any potentially dilutive instruments.

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(d) Provisions and contingent liabilities

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events, it is probably that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligations. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

(e) Financial instruments

(i) Classification and measurement

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through the statement of income”, “loans and receivables”, “available-for-sale”, “held-to-maturity”, or “financial liabilities measured at amortized cost” as defined by IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets and financial liabilities at “fair value through the statement of income” are either classified as “held for trading” or “designated at fair value through the statement of income” and are measured at fair value with changes in fair value recognized in the statement of income. Transaction costs are expensed when incurred. The Company has designated cash and investment as “held for trading”.

Financial assets and financial liabilities classified as “loans and receivables”, “held-to-maturity” or “financial liabilities measured at amortized cost” are measured at amortized cost using the effective interest method of amortization. “Loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. “Held-to-maturity” financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity. “Financial liabilities measured at amortized cost” are those financial liabilities that are not designated as “fair value through the statement of income” and that are not derivatives. The Company has designated accounts payable and accrued liabilities and due to affiliate as “financial liabilities measured at amortized cost”.

Financial assets classified as “available-for-sale” are measured at fair value, with changes in fair value recognized in statement of comprehensive income. “Available-for-sale” financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company has no “available-for-sale” financial assets.

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(ii) Derivative financial instruments

The Company may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for. The Company's policy is not to utilize derivative financial instruments for speculative purposes. All financial derivative contracts are classified as "fair value through the statement of income". The Company has not entered into any financial derivative contracts.

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 the statement of income. Changes in the fair value of separable embedded derivatives are recognized immediately in the statement of income. The Company has not identified any embedded derivatives.

(iii) Equity instruments

The Company's common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(iv) Impairment

The Company assesses, at each statement of financial position date, whether there is objective evidence that a financial asset, other than those designated as "fair value through the statement of income" are impaired. When an impairment has occurred, the cumulative loss is recognized in the statement of income. 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. 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 the statement of income in the period. Impairment losses may be reversed in subsequent periods.

(f) New accounting standards, interpretations and amendments to existing standards

The following accounting pronouncements have been released but have not yet been adopted by the Company:

IFRS 9 "Financial Instruments" ("IFRS 9")

IFRS 9, "Financial Instruments" is the first phase in an ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

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IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing 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, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

IFRS 10 "Consolidated Financial Statements" ("IFRS 10")

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation - Special Purpose Entities" and parts of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27"). This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 11 "Joint Arrangements" ("IFRS 11")

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas, for a joint operation, the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 12 "Disclosure of Interests in Other Entities" ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, equity accounted investments, 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 interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

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IFRS 13 "Fair Value Measurement" ("IFRS 13")

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. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IAS 27 "Separate Financial Statements" ("IAS 27")

The amended IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. Amendments to IAS 27 is applicable to annual periods beginning on or after January 1, 2013, with early adoption permitted.

IAS 28 "Investments in Associates and Joint Ventures" ("IAS 28")

IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 13 as outlined above. Amendments to IAS 28 is applicable to annual periods beginning on or after January 1, 2013, with early adoption permitted.

IAS 19 "Employee Benefits" ("IAS 19")

Amendments to IAS 19 eliminate an entity's option to defer the recognition of certain gains and losses related to post employment benefits and require remeasurement of associated assets and liabilities in OCI. Amendments to IAS 19 are applicable on a modified retrospective basis to annual periods beginning on or after January 1, 2013, with early adoption permitted.

IAS 1 "Financial Statement Presentation" ("IAS 1")

The amendments to IAS 1 will require that entities group items presented in other comprehensive income ("OCI") based on an assessment of whether such items may or may not be reclassified to earnings at a subsequent date. Amendments to IAS 1 are applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted

IFRS 7 "Financial Instruments: Disclosures" ("IFRS 7")

Amendments to IFRS 7 require the disclosure of information that will enable users of an entity's financial statements to evaluate the effect, or potential effect, of offsetting financial assets and financial liabilities, to the entity's financial position. Amendments to IFRS 7 are applicable to annual periods beginning on or after January 1, 2013, with retrospective application required.

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IAS 32 "Financial Instruments: Presentation" ("IAS 32")

The amendments to IAS 32 clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. Early adoption is permitted.

Management has not yet determined the potential impact the new standards and amendments will have on the Company's financial statements.

5. Investment

The investment is related to the conversion of the previous investment in Altius Edge Ltd. ("Altius"), outlined in note 7(c), to an investment in Immunall Science Inc. ("Immunall"), a publicly listed entity on the TSX-V exchange, which represents a minority interest of approximately 4.4%. As the Company owns a minority position, the investment is accounted for as a held for trading financial asset, which is measured at fair value. At December 31, 2012, the fair value was \$9,250 (2011 - \$18,500).

6. Due to affiliate

The amount due to affiliate is payable to Mosaic Limited Partnership, an entity related through common ownership, arising from Mosaic Limited Partnership providing advances to the Company and is unsecured, non-interest bearing and has no fixed terms of repayment.

7. Share capital

- (a) 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

- (b) Issued

	Number	Stated Value
Common shares		
As at December 31, 2010	8,700,000	\$ 25,000
Shares issued (c)	<u>964,155</u>	<u>2,770</u>
As at December 31, 2011 and 2012	<u>9,664,155</u>	<u>\$ 27,770</u>

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(c) 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. The amalgamation was completed March 31, 2011 and each Immunall shareholder received, for each common share of Immunall held, one common share in the amalgamated entity, 0.025 of a share in the Company and 0.025 of a common share in Nautor Progressive Corporation. The Company therefore issued 946,155 common shares to the shareholders of Immunall. Each of the Company's shareholders received, for each common share of the Company held, one common share in the amalgamated entity.

(d) Loss per common share

Loss per common share is calculated based on the weighted average number of common shares outstanding during the period ended December 31, 2012 of 9,664,155 (2011 - 9,426,418).

8. Income tax

The income tax provision differed from the amount which would be obtained by applying the combined federal and provincial statutory income tax rate to the respective tax years' loss before income taxes. The following schedule explains the differences between the expected and actual tax provision:

	2012	2011
Loss before income tax	\$ (27,300)	\$ (10,816)
Statutory tax rate	<u>25%</u>	<u>26.5%</u>
Expected income tax recovery	(6,825)	(2,866)
Effect of rate change	262	-
Other	(994)	-
Tax assets not recognized	<u>7,557</u>	<u>2,866</u>
Total income tax	<u>\$ -</u>	<u>\$ -</u>

The decrease in the statutory tax rate from 2011 to 2012 was due to a reduction in the 2012 federal corporate tax rate from 16.5% to 15.0% as part of a series of corporate rate reductions preciously enacted by the Canadian federal government.

The components of the net deferred income tax asset amounts as at December 31, 2012 and 2011 are as follows:

	2012	2011
Investment	813	(1,500)
Non-capital losses	8,883	3,639
Tax assets not recognized	<u>(9,696)</u>	<u>(2,139)</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

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Management has assessed the deferred tax asset using the criteria of whether it is probable that the deferred tax asset can be realized. Based on the uncertainty of future taxable income, management has recorded an allowance for the full amount of the deferred tax asset as at December 31, 2012 and 2011.

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

Year of Expiry	Amount
2030	\$ 3,750
2031	13,731
2031	<u>18,050</u>
Total	<u>\$ 35,531</u>

9. Related party transactions

There were no amounts paid to officers or directors in the years ended December 31, 2012 and 2011.

10. Financial instruments and risk management

The Company's activities expose it to a variety of financial risks including credit risk and liquidity risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Company employs risk management strategies and policies to ensure that any exposure to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

(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. The Company expects to continue to receive the financial support of its affiliate in order to pay its liabilities as they become due.

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(c) Fair values

The fair value of accounts payable and accrued liabilities and due to affiliate approximate their carrying value because of the short-term nature. Currently the Company is not involved in any hedging activities.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - reflects valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 - reflects valuation techniques based on inputs that are quoted prices of similarly instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for the instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - reflects valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The financial instruments in the Company's financial statements, measured at Level 1 fair value, are cash and investment.

(d) 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 shareholder's 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 is not subject to externally imposed capital requirements.

There have been no changes to the Company's capital management policy during the years ended December 31, 2012 and 2011.