Financial Statements
(Expressed in Canadian dollars)

ZURI CAPITAL CORP.

Year ended October 31, 2012 and from Incorporation on May 2, 2011 to October 31, 2011

ZURI CAPITAL CORP.

Management's Responsibility for Financial Reporting

The accompanying financial statements of Zuri Capital Corp. were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 2 to the financial statements.

Management has established a system of internal control over the financial reporting process, which is designed to provide reasonable assurance that relevant and reliable information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements, the accompanying Management's Discussion and Analysis and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee which is comprised of a majority of independent non-executive directors assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the financial statements and the auditors' report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

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

Signed by

Mike Gillis

Chief Executive Officer

Ickbal Boga

Chief Financial Officer

December 10, 2012

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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Independent Auditors' Report

To the Shareholders of Zuri Capital Corp.,

We have audited the accompanying financial statements of Zuri Capital Corp., which comprise the statements of financial position as at October 31, 2012 and 2011, the statements of comprehensive loss, changes in shareholders' equity and cash flows for the year ended October 31, 2012 and for the period from incorporation on May 2, 2011 to October 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 whether the financial statements are free of 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 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 Zuri Capital Corp. as at October 31, 2012 and 2011 and its financial performance and its cash flows for the year ended October 31, 2012 and for the period from incorporation on May 2, 2011 to October 31, 2011 in accordance with International Financial Reporting Standards.

De Visser Gray LLP

Vancouver, BC
December 10, 2012

Chartered Accountants

ZURI CAPITAL CORP.
Statements of financial position
As at October 31, 2012 and 2011

	Notes		October 31, 2012		October 31, 2011
ASSETS					
Current assets					
Cash and cash equivalents	4	$	187,626	$	83,137
Taxes receivable			5,713		860
			193,339		83,997
Deferred financing costs			-		28,939
TOTAL ASSETS		**$**	**193,339**	**$**	**112,936**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	5	$	26,300	$	20,999
SHAREHOLDERS' EQUITY					
Share capital	6		186,593		100,000
Reserves	6		57,180		-
Deficit			(76,734)		(8,063)
TOTAL EQUITY			**167,039**		**91,937**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**193,339**	**$**	**112,936**

Nature and continuance of operations (Note 1)

APPROVED ON BEHALF OF THE BOARD:

Director: *"Iqbal Boga"*
Iqbal Boga

Director: *"Mike Gillis"*
Mike Gillis

See accompanying notes to the financial statements

ZURI CAPITAL CORP.
Statements of comprehensive loss
For the year ended October 31, 2012 and for the period from incorporation on May 2, 2011 to October 31, 2011

	Notes	Year Ended October 31, 2012	Period From May 2, 2011 to October 31, 2011
EXPENSES			
Office and miscellaneous		$ 841	$ 63
Professional fees		26,000	8,000
Transfer agent, filing fees		3,710	-
Stock based compensation		38,120	-
		68,671	8,063
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (68,671)	$ (8,063)
LOSS PER SHARE - BASIC AND FULLY DILUTED		$ (0.02)	$ (0.00)

ZURI CAPITAL CORP.
Statement of changes in shareholder's equity
For the year ended October 31, 2012 and for the period from incorporation on May 2, 2011 to October 31, 2011

		Share capital				
	Notes	Number of shares	Amount	Reserves	Deficit	Total
Balance at May 2, 2011 (inception)		**-**	$ -	$ -	$ -	$ -
Comprehensive loss		-	-	-	(8,063)	(8,063)
Shares issued for cash by private placement	6	2,000,000	100,000	-	-	100,000
Balance at October 31, 2011		**2,000,000**	**100,000**	**-**	**(8,063)**	**91,937**
Comprehensive loss		-	-	-	(68,671)	(68,671)
Shares issued for cash @ 0.10	6	2,000,000	200,000	-	-	200,000
Broker commission		-	(20,000)	-	-	(20,000)
Share issue costs		-	(74,347)	-	-	(74,347)
Fair values of agents warrants		-	(19,060)	19,060	-	-
Stock-based compensation		-	-	38,120	-	38,120
Balance at October 31, 2012		**4,000,000**	**$ 186,593**	**$ 57,180**	**$ (76,734)**	**$ 167,039**

ZURI CAPITAL CORP.
Statements of cash flows
For the year ended October 31, 2012 and for the period from incorporation on May 2, 2011 to October 31, 2011

	Year ended October 31, 2012	Period From May 2, 2011 to October 31, 2011
Operating activities		
Loss for the period from operations	$ (68,671)	$ (8,063)
Stock based compensation	38,120	-
Changes in non-cash working capital items:		
Taxes receivable	(4,853)	(860)
Accounts payable and accrued liabilities	18,040	8,260
Net cash used in operating activities	**(17,364)**	(663)
Financing activities		
Proceeds on issuance of common shares	200,000	100,000
Deferred financing costs	(12,739)	(16,200)
Share issue cost	(65,408)	-
Net cash generated by financing activities	**121,853**	83,800
Increase in cash and cash equivalents for the period	104,489	83,137
Cash and cash equivalents, beginning of period	83,137	-
Cash and cash equivalents, ending of period	**$ 187,626**	**$ 83,137**

The Company incurred $nil (2011 - $12,739) related to financing activities which were included in accounts payable and accrued liabilities.

1. Nature and continuance of operations

Zuri Capital Corp. (the "Company") is a public company incorporated on May 2, 2011, under the laws of the province of British Columbia, Canada. The Company's shares are traded on the TSX Venture Exchange ("TSX.V") under the symbol "ZUR.P". The head office, principal address and records office of the Company are located at 409 Granville Street, Suite 1450, Vancouver, British Columbia, Canada.

On March 19, 2012, the Company completed its public offering in the Provinces of British Columbia, Alberta and Ontario and in the Yukon Territories, with an aggregate of 2,000,000 common shares at $0.10 per share, for total proceeds of $200,000 before a 10% commission paid to the Agent.

The Company is a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange ("Exchange"). As a CPC, the Company's principal business is to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange ("Qualifying Transaction"). The Company is required to complete its Qualifying Transaction ("QT") within twenty-four months of listing on the TSX. Such a transaction will be subject to shareholder and regulatory approval. The Company's shares commenced trading on the Exchange on March 19, 2012.

These financial statements have been prepared on the assumption that the Company will be able to realize its assets and discharge liabilities in the ordinary course of operations rather than through a process of forced liquidation. The Company's continued operations as intended will ultimately be dependent upon its ability to identify, evaluate and negotiate the acquisition of an interest in properties, assets, or business which is considered a QT. Such an acquisition will be subject to shareholder and regulatory approval.

Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations may be impaired and accordingly the Company may be unable to realize on the carrying value of its net assets.

2. Significant accounting policies and basis of preparation

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") for the Company's reporting year ended October 31, 2012.

These financial statements were authorized for issue on December 10, 2012 by the directors of the Company.

Significant accounting judgments, estimates and assumptions

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

Areas requiring a significant degree of estimation and judgment relate to the determination that the Company will continue as a going concern. Actual results may differ from those estimates and judgments should the Company be unable to continue operations.

2. Significant accounting policies and basis of preparation (cont'd)

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, the functional currency of the Company.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments.

Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Cash and cash equivalents are classified as fair value through profit and loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. 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.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Accounts payable and accrued liabilities are classified as other liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

2. Significant accounting policies and basis of preparation (cont'd)

Impairment of assets

The carrying amount of the assets (which include property, plant and equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes *(cont'd)*

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligations, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

3. Accounting standards, amendments and interpretations issued by not yet effective

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not early adopted these standards and is currently assessing the impact they will have on the consolidated financial statements.

IFRS 10, Consolidated Financial Statements: IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements,* and *SIC-12, Consolidation – Special Purpose Entities*.

IFRS 11, Joint Arrangements: IFRS 11 establishes principles for financial reporting by parties to a joint arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. . IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities-Non – Monetary Contributions by Venturers.*

IFRS 12, Disclosure of Interests in Other Entities: IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13, Fair Value Measurements: IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

IFRS 9, Financial Instruments: In July 2011, the IASB agreed to defer the effective date of IFRS 9 from 2013 to 2015. The standard is the first part of a multi-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. It introduces new requirements for the classification and measurement of financial instruments.

3. Accounting standards, amendments and interpretations issued by not yet effective (cont'd)

IFRS 32 'Financial Instruments: Presentation' - effective for annual periods beginning on or after January 1, 2014, is amended to provide guidance on the offsetting of financial assets and financial liabilities.

IAS 27, Separate Financial Statements: IAS 12 has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with *IFRS 9 Financial Instruments*. The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 Consolidated and Separate Financial Statements, and is replaced by IFRS 10.

IAS 28, Investments in Associates and Joint Ventures: as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

IAS 1 – Presentation of Financial Statements: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted.

IFRS 7 – Financial Instruments: Disclosures: IFRS 7 has been updated to improve the understanding of transfer transactions of financial assets for users of financial statements. This includes understanding possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

4. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	October 31, 2012	October 31, 2011
Cash at bank	$ 187,625	$ 83,137
	$ 187,625	$ 83,137

5. Accounts payable and accrued liabilities

	October 31, 2012	October 31, 2011
Accounts payable and accrued liabilities	$ 26,300	$ 20,999
	$ 26,300	$ 20,999

6. Share capital

a. Authorized share capital

Unlimited number of common shares without par value.

b. Issued share capital

At October 31, 2012 there were 4,000,000 issued and fully paid common shares.

On March 19, 2012, the Company completed an offering to the public of 2,000,000 common shares at $0.10 per share for total proceeds of $200,000 before a 10% commission paid to the Agent. The Company incurred a total of $74,347 in fees and expenses pursuant to the offering and listing on the TSX Venture Exchange. The Company granted the Agent an option to acquire up to 200,000 common shares of the Company at $0.10 per share for a two year period.

c. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended October 31, 2012 was based on the loss attributable to common shareholders of $68,671 (2011 loss of $8,063) and the weighted average number of common shares outstanding of 3,243,836 (2011 – 2,000,000).

d. Stock options

Outstanding incentive stock options at October 31, 2012 were as follows:

	Expiry Date	Exercise price	Balance, October 31, 2011	Granted	Balance, October 31, 2012
Stock options	March 19, 2017	$0.10	-	400,000	400,000
Outstanding				400,000	400,000
Exercisable					400,000
Weighted-average exercise price					$0.10

At October 31, 2012, the weight-average remaining contractual life of stock options was 4.38 years (2011 – Nil). The weighted-average grant date fair value of options granted during the year ended October 31, 2012 was $0.10. (2011 – Nil).

e. Stock based compensation

During the year ended October 31, 2012, the Company granted a total of 400,000 incentive stock options and stock-based compensation expense of $38,120 was recorded. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	Year ended October 31, 2012	**Year ended October 31, 2011**
Number of incentive stock options granted	400,000	-
Fair value of option granted	$38,120	-
Expected life of options	5 years	-
Annualized volatility	175%	-
Risk-free interest rate	2.50%	-
Dividend rate	0%	-

6. Share capital *(cont'd)*

f. Agent's warrants:

Outstanding agent warrants at October 31, 2012 were as follows:

	Expiry Date	Exercise price	Balance, October 31, 2011	Granted	Balance, October 31, 2012
Agents warrants	March 19, 2014	$0.10	-	200,000	200,000
Outstanding				200,000	200,000
Exercisable					200,000
Weighted-average exercise price					$0.10

At October 31, 2012, the weighted-average remaining contractual life of warrants outstanding was 1.38 years (2011 – Nil).

g. Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

For issuance of any agents warrants in a private placement, the Company, using the Black-Scholes model, computes the fair value of the agent warrants. Until such time that the agents warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Related party transactions

There are no related party transactions during the period.

7. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

7. Financial risk management (cont'd)

Liquidity risk (cont'd)

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at October 31, 2012:

	Within one year	Between one and five years	More than five years
Trade payables	26,300	-	-
	$ 26,300	$ -	$ -

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at October 31, 2011:

	Within one year	Between one and five years	More than five years
Trade payables	20,999	-	-
	$ 20,999	$ -	$ -

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at October 31, 2011, all of the Company's cash is held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the period.

The Company is not subject to any externally imposed capital requirements.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

7. Financial risk management (cont'd)

Fair value (cont'd)

- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at October 31, 2012:

	As at October 31, 2012		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 187,626	$ -	$ -

There were no transfers between levels during the year.

The following is an analysis of the Company's financial assets measured at fair value as at October 31, 2011:

	As at October 31, 2011		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 83,136	$ -	$ -

There were no transfers between levels during the year.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	October31, 2012	**October31, 2011**
Fair value through profit and loss:		
Cash and cash equivalents	$ 187,626	$ 83,137
	$ 187,626	$ 83,137

Financial liabilities included in the statement of financial position are as follows:

	October31, 2012	**October31, 2011**
Non-derivative financial liabilities:		
Trade payables	$ 26,300	$ 20,999
	$ 26,300	$ 20,999

8. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended October31, 2012	**Year ended October31, 2011**
Net loss	$ (68,671)	$ (8,063)
Statutory tax rate	25.0%	27.0%
Expected income tax recovery at the statutory tax rate	$ (17,339)	$ (2,137)
Differences due to recognition of items for tax purposes:		
Non-deductible items and other	9,625	-
Share issue costs incurred during the year	(23,823)	-
Change in valuation allowance	31,537	2,137
Income tax recovery	$ -	$ -

8. Income Taxes (cont'd)

The components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	October31, 2012	October31, 2011
Deferred income tax assets		
Loss carry-forwards	$ 14,371	$ 2,016
Share issuance and financing costs	18,869	-
	33,240	2,016
Valuation allowance	(33,240)	(2,016)
Net deferred income tax asset	$ -	$ -

The Company has recorded a valuation allowance against deferred income taxes on the extent to which it is more likely than not that sufficient taxable income will not be realized during the carry forward period to utilize all the deferred tax assets.

The Company has available for deduction against future taxable income non-capital losses of approximately $57,000. These losses, if not utilized, will expire in 2031 and 2032. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

The non-capital losses expire as follows:

Year of origin	Non-capital loss	Year of expiry
2011	$ 8,000	2031
2012	49,000	2032
	$ 57,000	