# Spirit Bear Capital Corp.
**(A Capital Pool Company)**

**Condensed Interim Financial Statements**
**For the three months ended April 30, 2012**
**(Unaudited)**
**(Expressed in Canadian Dollars)**

# NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Index to Condensed Interim Financial Statements
Unaudited
Expressed in Canadian Dollars


| | Page |
|---|---|
| **Contents** | 1 |
| **Financial Statements** | |
| Condensed Interim Statements of Financial Position | 2 |
| Condensed Interim Statements of Comprehensive Loss | 3 |
| Condensed Interim Statements of Cash Flows | 4 |
| Condensed Interim Statements of Changes in Shareholders' Equity | 5 |
| Notes to the Condensed Interim Financial Statements | 6-10 |

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Condensed Interim Statements of Financial Position
Unaudited
Expressed in Canadian Dollars

| | April 30, 2012 | January 31, 2012 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current** | | |
| Cash | 59,539 | 99,955 |
| **Total Current Assets** | 59,539 | 99,955 |
| **Deferred financing costs** | 39,413 | - |
| **TOTAL ASSETS** | 98,952 | 99,955 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | 11,068 | 5,943 |
| **Total Current Liabilities** | 11,068 | 5,943 |
| **Shareholders' equity** | | |
| Share capital (Note 3) | 100,001 | 100,001 |
| Deficit | (12,117) | (5,989) |
| **TOTAL SHAREHOLDERS' EQUITY** | 87,884 | 94,012 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | 98,952 | 99,955 |

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 6)

**Approved and authorized by the Board of Directors on June 28, 2012:**

| | |
|---|---|
| "Michael Waldkirch" | "Richard Silas" |
| Director | Director |

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Condensed Interim Statements of Comprehensive Loss
Unaudited
Expressed in Canadian Dollars

| | For the three months ended April 30, 2012 | For the period from incorporation on November 8, 2011 to January 31, 2012 |
|---|---|---|
| | $ | $ |
| **EXPENSES** | | |
| Bank charges | 60 | 46 |
| Professional fees | 6,068 | 5,943 |
| **NET AND COMPREHENSIVE LOSS FOR THE PERIOD** | (6,128) | (5,989) |
| **BASIC AND DILUTED LOSS PER SHARE** | - | - |
| **WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED** | - | - |

Basic and diluted loss per share did not include the effect of 2,000,012 escrowed shares which are contingently returnable.

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Condensed Interim Statements of Cash Flows
Unaudited
Expressed in Canadian Dollars

| | For the three months ended April 30, 2012 | For the period from incorporation on November 8, 2011 to January 31, 2012 |
|---|---|---|
| | $ | $ |
| **CASH FLOWS USED IN OPERATING ACTIVITIES** | | |
| Loss for the period | (6,128) | (5,989) |
| Change in non-cash working capital: | | |
| Accounts payable and accrued liabilities | 5,125 | 5,943 |
| | (1,003) | (46) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Deferred financing costs | (39,413) | - |
| Proceeds from issuance of capital stock | - | 100,001 |
| | (39,413) | 100,001 |
| **Net change in cash** | (40,416) | 99,955 |
| **Cash, beginning of period** | 99,955 | - |
| **Cash, end of period** | 59,539 | 99,955 |

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Condensed Interim Statements of Changes in Shareholders' Equity
Unaudited
Expressed in Canadian Dollars

| | Number of Shares Issued | Share Capital | Accumulated Deficit | Total |
|---|---|---|---|---|
| | | $ | $ | $ |
| **Beginning Balance** | - | - | - | - |
| Issuance of incorporation share | 1 | 1 | - | 1 |
| Repurchase and cancellation of incorporation share | (1) | (1) | - | (1) |
| Shares issued from incorporation | 2,000,012 | 100,001 | - | 100,001 |
| Loss for the period | - | - | (5,989) | (5,989) |
| **Balance, January 31, 2012** | 2,000,012 | 100,001 | (5,989) | 94,012 |
| Loss for the period | - | - | (6,128) | (6,128) |
| **Balance, April 30, 2012** | 2,000,012 | 100,001 | (12,117) | 87,884 |

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Spirit Bear Capital Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on November 8, 2011. On May 14, 2012, the Company completed its Initial Public Offering ("IPO") and is classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4 (Note 5). The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

The Company's head office, principal address and registered and records office is located at 300-576 Seymour Street, Vancouver, British Columbia, Canada, V6B 3K1.

These interim financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses within 24 months of listing on the TSX-V. These uncertainties cast significant doubt upon the entity's ability to continue as a going concern. Such a transaction will be subject to regulatory approval and may be subject to shareholder approval.

There is no assurance that the Company will complete a transaction within twenty-four months from the date the Company's shares are listed on the TSX-V, at which time the TSX-V may suspend or de-list the Company's shares from trading.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

### Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the financial statements of the Company for the period ended January 31, 2012.

The accounting policies applied in preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company's financial statements for the period ended January 31, 2012.

### Basis of preparation

These condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The interim financial statements are presented in Canadian dollars unless otherwise noted.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Use of estimates**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation other equity-based payments and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

**Foreign currency translation**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Expressed in Canadian Dollars

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Accounting pronouncements not yet adopted**

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended April 30, 2012 and have not been applied in preparing these interim financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending January 31, 2014 or later:

| Title of the new IFRS standard | Required application date of the IFRS |
|---|---|
| IFRS 9, *Financial Instruments* | For periods beginning on or after January 1, 2013. |
| IFRS 13, *Fair Value Measurements* | For periods beginning on or after January 1, 2013 |

## 3. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued share capital:

- On November 8, 2011, the Company issued 1 common share at $0.05 per share for a total value of $0.05
- On November 9, 2011, the Company issued 2,000,011 common shares at $0.05 per share for a total value of $100,001

All of these issued shares will be subject to escrow restrictions until completion of the Qualifying Transaction, and will then be released from escrow in tranches over 36 months from its listing on the TSX-V.

## 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The fair value of the Company's accounts payable and accrued liabilities approximate their carrying value. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

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:

(a) 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 Company has deposited the cash with its bank and lawyer's trust account from which management believes the risk of loss is remote.

(b) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

(c) Market risk:
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(d) Currency risk:
The Company's operations and financing activities are conducted in Canadian dollars and as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates.

(e) 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, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

## 5. CAPITAL DISCLOSURE AND MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the TSX-V.

As a CPC, the Company is subject to externally imposed capital requirements as outlined in TSX-V Exchange Policy 2.4 and summarized below:

1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a Qualifying Transaction;

2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a Qualifying Transaction;

3) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate Qualifying Transactions;

4) After the completion of its IPO and until the completion of a Qualifying Transaction, a CPC may not issue any securities unless written acceptance of the Exchange is obtained before the issuance of the securities.

## 6. SUBSEQUENT EVENTS

On May 14, 2012, the Company completed its initial IPO whereby the Company raised $300,000 through the issuance of the Company's common shares at $0.10 per share. Pursuant to an Agency Agreement, the IPO is subject to the following Agent's fees and commissions: a $15,000 non-refundable corporate finance fee (plus HST) (paid), commission of 10% of the total funds raised by the Agent on closing of the IPO, and the issuance of Agent options allowing the Agent to purchase up to 300,000 common shares of the Company at a price of $0.10 per share within 24 months from the date the Company's shares are listed on the TSX-V. The Company will also reimburse the Agent for reasonable legal and other costs incurred.

The Company established a Stock Option Plan for its directors, officers, employees and consultants under which the Board of Directors of the Company may grant non-transferable stock options totalling in aggregate up to 10% of the Company's issued and outstanding common shares, exercisable for a period of five years from the date of grant, and at an exercise price which is not less than that permitted by the TSX-V.

The Company also granted 500,000 options to its directors and officers on completion of the IPO. Each option will entitle the holder to acquire one additional common share of the Company at $0.10 per share for a period of five years.