# MillenMin Ventures Inc.

(A Capital Pool Company)

**AUDITED FINANCIAL STATEMENTS**

YEAR ENDED FEBRUARY 29, 2012

(Expressed in Canadian Dollars)

**Independent Auditors' Report**

To the Shareholders of MillenMin Ventures Inc.:

We have audited the financial statements of MillenMin Ventures Inc. which comprise the statements of financial position as at February 29, 2012, February 28, 2011 and March 1, 2011 and the statements of loss and comprehensive loss, changes in equity, and cash flows for the years ended February 29, 2012 and February 28, 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 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 MillenMin Ventures Inc. as at February 29, 2012, February 28, 2011 and March 1, 2011 and its financial performance and its cash flows for the years ended February 29, 2012 and February 28, 2011 in accordance with International Financial Reporting Standards.

Vancouver, British Columbia
March 20, 2012

Chartered Accountants

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**MillenMin Ventures Inc.**

(A Capital Pool Company)

STATEMENTS OF FINANCIAL POSITION

| | | February 29, 2012 | | February 28, 2011 | | March 1, 2010 |
|---|---|---|---|---|---|---|
| | | | | Note 12 | | Note 12 |
| **ASSETS** | | | | | | |
| **Current** | | | | | | |
| Cash and cash equivalents | $ | 279,784 | $ | 56,604 | $ | 54,490 |
| Short term investment (Note 7) | | 101,659 | | 100,505 | | - |
| Sales tax receivables | | 13,872 | | 6,561 | | - |
| | | 395,315 | | 163,670 | | 54,490 |
| Deferred financing costs | | - | | - | | 48,017 |
| | $ | 395,315 | $ | 163,670 | $ | 102,507 |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current Liabilities** | | | | | | |
| Accounts payable and accrued liabilities | $ | 15,255 | $ | 6,882 | $ | 3,500 |
| | | 15,255 | | 6,882 | | 3,500 |
| **Equity** | | | | | | |
| Share capital (Note 8) | | 463,295 | | 186,385 | | 100,000 |
| Share compensation reserves (Note 8f) | | 47,165 | | 41,692 | | - |
| Deficit | | (130,400) | | (71,289) | | (993) |
| | | 380,060 | | 156,788 | | 99,007 |
| | $ | 395,315 | $ | 163,670 | $ | 102,507 |

Nature of Operations (Note 1)

Subsequent Events (Note 11)

**Approved on behalf of the board**

*(Signed) "Kenny Wan"* *(Signed)"Yunkai Cai*

*“Kenny Wan”* *“Yunkai Cai”*

Director Director

The accompanying notes are an integral part of these financial statements.

**MillenMin Ventures Inc.**

(A Capital Pool Company)

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

| | | Year Ended February 29, 2012 | | Year Ended February 28, 2011 |
|---|---|---|---|---|
| | | | | (Note 12) |
| **Expenses** | | | | |
| Professional fees | $ | 28,915 | $ | 14,663 |
| Office and general expenses | | 3,735 | | 9,191 |
| Transfer agent and filing fees | | 19,767 | | 11,343 |
| Travel expenses | | 2,375 | | 7,148 |
| Share-based payments | | 5,473 | | 28,455 |
| **Total Expenses** | **$** | (60,265) | $ | (70,800) |
| **Other Income** | | | | |
| Interest income | | 1,154 | | 504 |
| **Net (loss) and comprehensive (loss) for the year** | | (59,111) | | (70,296) |
| **Basic and diluted loss per share** | $ | (0.01) | $ | (0.02) |
| **Weighted average number of common shares outstanding** - basic and diluted | | 4,841,530 | | 3,627,397 |

The accompanying notes are an integral part of these financial statements

**MillenMin Ventures Inc.**

(A Capital Pool Company)

STATEMENTS OF CHANGES IN EQUITY

| | Number of Shares | Share Capital | Share Compensation Reserves | Deficit | Total |
|---|---|---|---|---|---|
| Balance, March 1, 2010 (Note 12) | 2,000,000 | $ 100,000 | $ - | $ (993) | $ 99,007 |
| Shares issued for cash at $0.10 per share | 2,000,000 | 200,000 | - | - | 200,000 |
| Share issuance costs | - | (113,615) | - | - | (113,615) |
| Agent's options | - | - | 13,237 | - | 13,237 |
| Share-based payments | - | - | 28,455 | - | 28,455 |
| Net loss for the year | - | - | - | (70,296) | (70,296) |
| Balance, February 28, 2011 (Note 12) | 4,000,000 | 186,385 | 41,692 | (71,289) | 156,788 |
| Share issued for cash at $0.15 per share | 2,000,000 | 300,000 | - | - | 300,000 |
| Share issuance costs | - | (23,090) | - | - | (23,090) |
| Share-based payments | - | - | 5,473 | - | 5,473 |
| Net loss for the year | - | - | - | (59,111) | (59,111) |
| **Balance, February 29, 2012** | **6,000,000** | **$ 463,295** | **$ 47,165** | **$ (130,400)** | **$ 380,060** |

The accompanying notes are an integral part of these financial statements

**MillenMin Ventures Inc.**
(A Capital Pool Company)
STATEMENTS OF CASH FLOWS

| | Year Ended February 29, 2012 | Year Ended February 28, 2011 (Note 12) |
|---|---|---|
| **CASH FLOWS USED IN OPERATING ACTIVITIES:** | | |
| Net loss for the year | $ (59,111) | $ (70,296) |
| Adjustment for items not involving cash: | | |
| Share-based payments | 5,473 | 28,455 |
| Accrued interest income | (134) | (234) |
| Changes in non-cash operating working capital: | | |
| Decrease (increase) in sales tax receivables | (7,311) | (6,561) |
| Decrease (increase) in accounts payable and accrued liabilities | 8,373 | 3,382 |
| **Net cash flows from (used in) operating activities** | (52,710) | (45,254) |
| **CASH FLOWS USED IN INVESTING ACTIVITIES:** | | |
| Short term investment | (1,020) | (100,271) |
| **Net cash flows from (used in) investing activities** | (1,020) | (100,271) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Issuance of common shares | 300,000 | 200,000 |
| Share issuance costs | (23,090) | (100,378) |
| Deferred financing charges | - | 48,017 |
| **Net cash flows from (used in) financing activities** | 276,910 | 147,639 |
| **Increase in cash and cash equivalents** | 223,180 | 2,114 |
| Cash and cash equivalents, beginning of year | 56,604 | 54,490 |
| **Cash and cash equivalents, end of year** | 279,784 | 56,604 |
| **Supplemental disclosure with respect to cash flows**: | | |
| **Interest paid in cash** | $ - | $ - |
| **Income tax paid in cash** | $ - | $ - |

The accompanying notes are an integral part of these financial statements

## 1. NATURE OF OPERATIONS

MillenMin Ventures Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act on August 10, 2009. The head and registered office of the Company is located at 133 Richmond Street W, Suite 203 Toronto, Ontario M5H 2L3. The audited financial statements of the Corporation for the year ended February 29, 2012 were authorized for issuance in accordance with a resolution of the directors on March 20, 2012.

The Corporation is classified as a Capital Pool Company as defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4. The Corporation must identify and complete a Qualifying Transaction within 24 months from the date the Corporation's shares are listed for trading on the Exchange. As of February 29, 2012, the Corporation has no significant assets other than cash and cash equivalents, short term investment and sales tax receivables, and proposes to identify, and evaluate potential acquisitions or businesses and, once identified and evaluated, proposes to negotiate an acquisition or participation (the "Qualifying Transaction") subject to receipt of regulatory and, if required, shareholders' approval. The ability of the Corporation to fund its potential operations and commitments is dependent upon the ability of the Corporation to obtain additional financing. There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation and complete a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation shares from trading.

The proposed business of the Corporation involves a high degree of risk and there is no assurance that the Corporation will identify an appropriate business for acquisition or investment and even if so identified and warranted, it may not be able to finance such acquisition or investment. Additional funds may be required to enable the Corporation to pursue such an initiative and the Corporation may be unable to obtain such financing on terms which are satisfactory to it. Further, there is no assurance that businesses acquired will be profitable.

## 2. BASIS OF PREPARATION

These audited financial statements have been prepared by management in accordance with IAS 34 *Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Corporation's first IFRS audited financial statements for the period covered by the Corporation's first IFRS annual financial statements for the year ended February 29, 2012. Previously, the Corporation prepared its annual financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

The audited financial statements were prepared on a going concern basis, under the historical cost convention. The Corporation's ability to continue as a going concern is dependent upon the ability of the Corporation to obtain financing and generate positive cash flows from its operations. Management of the Corporation does not expect that cash flows for the Corporation's operations will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Corporation expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Corporation, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Corporation may be required to delay or reduce the scope of any or all of its development projects.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these audited financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of 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.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements is described below:

*Recovery of deferred tax assets*

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Corporation will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Corporation operations could limit the ability of the Corporation to obtain tax deductions in future periods.

## 4. SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which include Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC" and "SIC") adopted by the International Accounting Standards Board ("IASB"). These are the Corporation's first year financial statements and IFRS has been applied since March 1, 2010.

**Basis of preparation**

These audited financial statements have been prepared using the accrual basis of accounting, except for cash flow information. Furthermore, these audited financial statements are presented in Canadian dollars which is the functional currency of the Corporation and all values are rounded to the nearest dollar.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less. As at February 29, 2012, February 28, 2011 and March 1, 2010, the cash and cash equivalents consist of cash only.

**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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial Assets

Financial assets are classified into one of four categories:

i. Fair value through profit or loss;
ii. Held-to-maturity;
iii. Available-for-sale; and
iv. Loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. The Corporation has classified cash and cash equivalents and short term investment as fair value through profit or loss.

*i. Fair value through profit or loss ("FVTPL")*
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL, if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

*ii. Held-to-maturity*
These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. Subsequent to initial recognition, these assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations and comprehensive loss.

*iii. Available-for-sale*
Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes therein, other than impairment losses, interest calculated using the effective interest method and foreign currency differences on AFS monetary items, recognized in other comprehensive income or loss. When an investment is derecognized or is determined to be impaired, the cumulative gain or loss previously recognized in equity is transferred to profit or loss for the period.

*iv. Loans and receivables*
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

*v. Effective interest method*
The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.
Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial Assets (cont'd)

*vi. Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as an objective evidence of impairment could include the following:

- Significant financial difficulty of the issue or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

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

The carrying amount of financial assets 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 account 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.

With the exception of AFS 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 AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss I recognized directly in equity.

When an AFS 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.

*vii. Derecognition of financial assets*

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Corporation has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial Liabilities and Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

*i* *Other financial liabilities*
Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Corporation has classified accounts payable and accrued liabilities as other financial liabilities.

*ii* *Derecognition of financial liabilities*
The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

### Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

### Income Taxes

Any income tax on profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is recognized 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 end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Corporation intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Earnings (Loss) Per Share

The Corporation presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share do not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

### Comprehensive Income (Loss)

Comprehensive income is the overall change in the net assets of the Corporation for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income. The historical make up of net income has not changed. Other comprehensive income includes gains or losses, which IFRS requires be recognizing in a period, but excluding from net income for that period. The Corporation has no other comprehensive income during the year ended February 29, 2012.and February 28, 2011.

### 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. Parties are also considered to be related if they are subject to common control. Related parties 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.

### Share-based payment transactions

The stock option plan allows Corporation's directors, officers and technical consultants to acquire shares of the Corporation. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and the share based compensation is expensed based on graded vesting. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share purchase options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share purchase options were granted. Forfeiture rates are estimated in advance and are used in the estimate of the share-based expense for the financial statement period. Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee receives the goods or the services.

### New and Revised IFRS Issued but Not Effective

### IFRS 9 Financial Instruments

IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace lAS39 Financial Instruments: Recognition and Measurement ("lAS 39"). 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 lAS39. 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 required a single impairment method to be used, replacing the multiple impairment methods in lAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation is currently evaluating the impact on its financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**IFRS 10 Consolidated Financial Statements**

On May 12, 2011 the IASB issued 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 replaces the consolidation requirements in SIC-12 Consolidation- Special Purpose Entities and lAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Corporation is currently evaluating the impact on its financial statements.

**IFRS 11 Joint Arrangements**

On May 12, 2011 the IASB issued IFRS 11 Joint Arrangements. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The Corporation is currently evaluating the impact on its financial statements.

**IFRS 12 Disclosure of Interests in Other Entities**

On May 12, 2011 the IASB issued IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Corporation is currently evaluating the impact on its financial statements.

**IFRS 13 Fair Value Measurement**

On May 12, 2011 the IASB issued IFRS 13 Fair Value Measurement. IFRS 13, which is effective from January 1, 2013, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The Corporation is currently evaluating the impact on its financial statements.

## 5. CAPITAL MANAGEMENT

The Corporation manages its capital structure and makes adjustments to it, based on the funds available to the Corporation, in order to maintain its CPC status. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to identify and evaluate assets or businesses with a view to purchase, amalgamation, merger or arrangement with another Corporation or by other means, in compliance with the CPC Policy.

The Corporation is still dependent on external financing to fund its activities with respect to the identification and evaluation of assets or businesses for acquisition, the maintenance of its status as a CPC Corporation, and the acquisition, if any, of a qualifying business to complete a transition from being a CPC Corporation to being, at a minimum, a Tier 2 listed Corporation on the Exchange. The Corporation will spend its existing working capital and raise additional amounts as needed.

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

There were no changes in the Corporation's approach to capital management during the year ended February 29, 2012.

## 6. FINANCIAL INSTRUMENTS

### (a) Fair value

The Corporation's financial assets consist of cash and cash equivalents and short term investment. The estimated fair values of cash and cash equivalents and short term investment approximate their respective carrying values due to the short period to maturity. The Corporation classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements – Financial Instruments – Disclosures.

For the year ended February 29, 2012, the fair value of cash and cash equivalents and short term investment were measured using Level 1 inputs.

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

### (b) Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 29, 2012, the Corporation had cash and cash equivalents of $279,784 (February 28, 2011- $56,604; March 1, 2010 – $54,490), short term investment of $101,659 (February 28, 2011- $100,505; March 1, 2010 - $ni) and sales tax receivables of $13,872 (February 28, 2011- $6,561; March 1, 2010 - $Nil), against the total current liabilities of $15,255 (February 28, 2011- $6,882; March 1, 2010 - $3,500). The Corporation believes that these sources will be sufficient to cover the expected short and long term cash requirements.

### (c) Interest rate risk

The Corporation invests part of the cash balance in a fixed rate term deposit at rate of 0.7% per annum (February 28, 2011 – 1.25% per annum) . Any change to market rates result in interest rate risk. The exposure to interest rate risk, however, is limited due to the short term nature of term deposit.

### (d) Currency risk

The Corporation's functional and reporting currency is the Canadian dollar. Occasional transactions may occur internationally giving rise to exposure to changes in foreign exchange rates. The currency risk is derived primarily from payments related to investing activities denominated in currencies other than the Canadian dollar. To limit the impact of fluctuations of the Canadian dollar over the foreign currencies, the Corporation matches, in general and when possible, the cash receipts in a foreign currency with the cash disbursements in the same foreign currency. The Corporation does not use derivative financial instruments to cover the variability of cash flows in foreign currencies.

### (e) Credit risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's exposure to credit risk is limited to its cash and cash equivalents and short term investment. The Corporation limits its exposure to credit risk by holding its cash and cash equivalents and short term investment in deposits with high credit quality Canadian financial institutions.

## 7. SHORT TERM INVESTMENT

Short term investment consists of fixed term deposit in financial institutions with a one-year term and interest rate at 0.7% per annum (February 28, 2011 – 1.25% per annum). As at February 29, 2012, the Corporation accrued an interest receivable of $134 (February 28, 2011 - $234), which was included in short term investment of $101,659 (February 28, 2011 - $100,505).

## 8. SHARE CAPITAL

a) The Corporation is authorized to issue an unlimited number of common shares at no par value.

b) Issued and outstanding common shares:

During the period ended February 28, 2010, the Corporation issued 2,000,000 seed common shares at a price of $0.05 per share for total proceeds of $100,000. On May 7, 2010, the Corporation completed its initial public offering (the "IPO") of 2,000,000 common shares, at a price of $0.10 per common share, for aggregate gross proceeds of $200,000.

On September 28, 2011, the Corporation closed a non-brokered private placement (the "Private Placement") of 2,000,000 common shares at a price of $0.15 per common share for aggregate gross proceeds of $300,000. The Private Placement was subscribed by MillenAsia Resource Inc., an insider of the Corporation, and several other private investors. A finder's fee of $9,000 was paid in connection with the Private Placement. The common shares issued pursuant to the Private Placement will be subject to a four (4) month hold period expiring January 29, 2012. The proceeds of the Private Placement will be used for the identification and evaluation of companies' business or assets and for general corporate purposes. As of year ended February 29, 2012, the Corporation has received the funds in full and issued 2,000,000 common shares.

c) Escrowed shares

The 2,000,000 seed common shares subscribed by the Corporation's directors and the 1,000,000 common shares subscribed by MillenAsia Resource Inc. have been deposited with Computershare Investor Services Inc. under an escrow agreement, and will be released in accordance with TSX-V Policy 2.4.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be escrowed. As at February 29, 2012, 3,000,000 common shares were held in escrow.

d) Stock options

On May 7, 2010, the Corporation granted incentive stock options (the "Stock options") to acquire an aggregate of 400,000 common shares at an exercise price of $0.10 per option, which is equal to the market price at grant date, to the directors and officers of the Corporation, which expire 5 years from the date of grant. The 25% of the Stock options will vest immediately on the date of grant, with 25% of the Stock options vesting every 6 months thereafter until all Stock options are vested.

Under the Black-Scholes, the fair value of the Stock options granted was estimated to be $0.08 per share by using the following assumptions at the measurement date: average risk free interest rate – 2.55%; expected life – 5 years; expected volatility – 125.13% and expected dividends – $Nil. During the fiscal year 2012, the Corporation recorded share-based payments of $5,473 (fiscal year 2011 - $28,455). A summary of stock option activity as at February 29, 2012 is as follows:

**8. SHARE CAPITAL (cont'd…)**

d) Stock options (cont'd…)

| | Number of options | Weighted average exercise price | |
|---|---|---|---|
| Balance, March 1, 2010 | - | $ | - |
| Stock options granted | 400,000 | $ | 0.10 |
| Balance, February 28, 2011 and February 29, 2012 | 400,000 | $ | 0.10 |

As at February 29, 2012, 400,000 stock options were outstanding and exercisable with a remaining life of 3.19 years, and no options were exercised.

e) Agent's options

In connection with the IPO, Leede Financial Markets Inc. (the "Agent") received a corporate finance fee, and a cash commission equal to 10% of the gross proceeds of the IPO and a non-transferable option to acquire 200,000 common shares of the Corporation at an exercise price of $0.10 per share, which is equal to the market price at the grant date, vested immediately and for a period of 24 months from the date the Corporation's common shares commenced trading on the Exchange on May 14, 2010. Under the Black-Scholes, the fair value of Agent's options issued at the date of the issue was estimated to be $0.07 per share by using the following assumptions at the measurement date: average risk free interest rate - 1.62%; expected life - 2 years; expected volatility – 133.92% and expected dividends – nil. The Corporation recognized share-based payments of $13,237 and included in share issuance costs in connection with the IPO in fiscal year 2011. A summary of stock option activity as at February 29, 2012 is as follows:

| | Number of options | Weighted average exercise price | |
|---|---|---|---|
| Balance, March 1, 2010 | - | $ | - |
| Agent's options granted | 200,000 | $ | 0.10 |
| Balance, February 28, 2011 and February 29, 2012 | 200,000 | $ | 0.10 |

As at February 29, 2012, 200,000 agent's options were outstanding and exercisable with a remaining life of 0.19 years and none of the agent's options was exercised.

*f)* Share Compensation Reserves

A reconciliation of share compensation reserves is provided below:

| | | Amount |
|---|---|---|
| Balance, March 1, 2010 | $ | - |
| Agent's options | $ | 13,237 |
| Stock options granted and vested to Directors | $ | 28,455 |
| Balance, February 28, 2011 | $ | 41,692 |
| Stock options vested to Directors | $ | 5,473 |
| Balance, February 29, 2012 | $ | 47,165 |

## 9. RELATED PARTY TRANSACTIONS

Except for the private placement of 1,000,000 shares subscribed by MillenAsia Resource Inc. at a price of $0.15 per common share on September 28, 2011, there have been no related party transactions during the years ended February 29, 2012 and February 28, 2011

## 10. INCOME TAX

The potential benefit of net operating loss carry forwards has not been recognized in the financial statements since the Corporation cannot be assured that it is more likely than not that such benefit will be utilized in future years. The components of the net deferred tax asset, the effective rate and the elected amount of the valuation allowance are as follows:

| | Year ended February 29, 2012 | Year ended February 28, 2011 |
|---|---|---|
| Statutory rate | 26.5% | 26.5% |
| Income taxes recovery computed at the effective tax rate | $ 15,700 | $ 18,600 |
| Stock based compensation not deductible for tax purposes | (1,500) | (7,500) |
| Adjustment for temporary timing differences: Share issuance costs | 6,500 | 5,300 |
| Tax benefit not utilized | (20,700) | (16,400) |
| Income tax recovery (expense) | $ - | $ - |

The approximate tax effects of each type of temporary difference that gives rise to deferred tax assets are as follows:

| | February 28, 2011 | February 28, 2011 | March 1,2010 |
|---|---|---|---|
| Non-capital loss carry forwards | $ 36,500 | $ 15,700 | $ 278 |
| Share issuance cost | 19,700 | 20,100 | - |
| Less: valuation allowance | (56,200) | (35,800) | (278) |
| Net future tax assets | $ - | $ - | - |

Due to the uncertainty surrounding the realization of future income tax assets, the Corporation has made a 100% valuation allowance against its future income tax assets.

As at February 29, 2012, the Corporation has non-capital losses of approximately $145,800 (February 28, 2011 - $67,500; March 1, 2010 – $1,000) which may be carried forward and applied against taxable income in future years, subject to final determination by tax authorities and expiring as follows:

| | |
|---|---|
| 2030 | $1,000 |
| 2031 | $ 66,500 |
| 2032 | $ 78,300 |
| | $145,800 |

## 11. SUBSEQUENT EVENT

On March 7, 2012, the Corporation entered into an option agreement (the "Option Agreement") with Molycor Gold Corp. ("Molycor") (TSX-V: MOR)(PINKSHEETS:MLYFF) (FRANKFURT:M1V) whereby the Corporation can earn up to 70% of Molycor's 100% owned undivided interest in the Windpass gold property (the "Property") situated on Thompson Plateau area of Central British Columbia of Canada (the "Proposed Transaction"). The Proposed Transaction is subject to the approval of the TSX Venture Exchange (the "Exchange") and will constitute Corporation's Qualifying Transaction (the "QT") pursuant to the Exchange Policy 2.4 concerning capital pool companies. The corporation is a capital pool company and will become a Tier 2 mining issuer listed on the Exchange upon completion of the QT.

## 12. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these are the Corporation's first audited financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS.

The accounting policies in Note 4 have been applied as follows:

- in preparing the audited financial statements for the year ended February 29, 2012;
- the comparative information for the year ended February 28, 2011;
- the statement of financial position as at February 28, 2011; and
- The preparation of an opening IFRS statement of Financial position at the transition date, March 1, 2010

In preparing the opening IFRS statement of financial position, comparative information for the year ended February 28, 2011 and the financial statements for the year ended February 29, 2012 in accordance with IFRS 1 *First-time Adoption of international Financial Reporting Standards (IFRS 1)*, the Corporation applied the following optional exemptions from full retrospective application of IFRS.

(i) Share-based payment transactions

The Corporation elected to apply IFRS 2 only to options issued and not fully vested and held by employee on and after March 1, 2010. IFRS 2, similar to Canadian GAAP, requires the Corporation to measure share-based compensation related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a "grade vesting" methodology as opposed to the straight-line vesting method allow under Canadian GAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods; while under Canadian GAAP, forfeitures of awards are recognized as they occur.

The Corporation's recognition of options that were not fully vested on March 1, 2010 is in accordance with IFRS.

(ii) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Corporation's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

**12. FIRST TIME ADOPTION OF IFRS (cont'd…)**

**a) Reconciliation of the Corporation's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS as at March 1, 2010 and February 28, 2011.**

The transition from Canadian GAAP to IFRS required no change to equity at March 1, 2010 and February 28, 2011.

**b) Reconciliation of Cash Flows for the period as reported under Canadian GAAP to IFRS**

The transition from Canadian GAAP to IFRS required no change to cash flows for the year ended February 28, 2011.

**c) Reconciliation of Assets and Liabilities for the period as reported under Canadian GAAP to IFRS**

The transition from Canadian GAAP to IFRS required no change to the reported asset and liability balance as at March 1, 2010 and February 28, 2011.

**d) Reconciliation of Net loss and Comprehensive loss for the period as reported under Canadian GAAP to IFRS**

The transition from Canadian GAAP to IFRS required no change to net loss and comprehensive loss for year ended February 28, 2011.