Black Birch Capital Acquisition II Corp.
(A Capital Pool Company)

For the Years Ended December 31, 2012 and 2011
(Expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Black Birch Capital Acquisition II Corp.

We have audited the accompanying financial statements of Black Birch Capital Acquisition II Corp., which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 Black Birch Capital Acquisition II Corp. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company had continuing losses during the year ended December 31, 2012 and a cumulative deficit as at December 31, 2012. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 29, 2013

Black Birch Capital Acquisition II Corp.

(A Capital Pool Company)

Statements of Financial Position

(Expressed in Canadian dollars)

	Note	December 31, 2012 $	December 31, 2011 $
Assets			
Current assets			
Cash and cash equivalents		421,508	464,339
HST receivable		5,139	11,386
Total assets		426,647	475,725
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4	19,130	28,942
Shareholders' equity			
Share capital	5	453,057	453,057
Contributed surplus		79,012	79,012
Deficit		(124,552)	(85,286)
Total shareholders' equity		407,517	446,783
Total liabilities and shareholders' equity		426,647	475,725

Nature of Operations and Future Operations (note 1)

Subsequent Events (note 13)

On behalf of the Board

(signed) "Paul Haber" (signed) "James Xiang"

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

Black Birch Capital Acquisition II Corp.

(A Capital Pool Company)

Statements of Loss and Comprehensive Loss

For the years ended December 31

(Expressed in Canadian dollars)

	Note	2012 $	2011 $
General and administrative expenses			
Qualifying transaction costs		24,063	-
Audit fees		5,860	8,708
Listing fees		5,200	-
Filing fees		2,007	4,087
Transfer agent fees		1,822	1,805
Legal fees		1,201	11,314
Shareholder communications		-	3,025
		(40,153)	(28,939)
Other income (expenses)			
Bank fees		(345)	-
Interest income		1,232	4,200
		887	4,200
Net loss and comprehensive loss for the year		(39,266)	(24,739)
Basic and diluted loss per share	7	(0.01)	(0.00)
Weighted average number of shares outstanding – basic and diluted	7	5,365,000	5,365,000

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

Black Birch Capital Acquisition II Corp.

(A Capital Pool Company)

Statements of Changes in Equity

(Expressed in Canadian dollars)

	Share Capital				
	Number of Shares	Amount	Contributed surplus	Deficit	Total Shareholders' Equity
Balance, December 31, 2011	7,365,000	453,057	79,012	(85,286)	446,783
Net loss for the year	-	-	-	(39,266)	(39,266)
Balance, December 31, 2012	7,365,000	453,057	79,012	(124,552)	407,517
Balance, December 31, 2010	7,365,000	460,592	79,012	(60,547)	479,057
Share issue costs	-	(7,535)	-	-	(7,535)
Net loss for the year	-	-	-	(24,739)	(24,739)
Balance, December 31, 2011	7,365,000	453,057	79,012	(85,286)	446,783

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

Black Birch Capital Acquisition II Corp.

(A Capital Pool Company)

Statements of Cash Flows

For the years ended December 31

(Expressed in Canadian dollars)

	2012 $	2011 $
Cash flows (used in) from operating activities		
Net loss for the year	(39,266)	(24,739)
Changes in non-cash operating working capital		
Change in HST receivable	6,247	(659)
Change in accounts payable and accrued liabilities	(9,812)	(2,165)
Net cash used in from operating activities	(42,831)	(27,563)
Share issue costs	-	(7,535)
Cash flows used in financing activities	-	(7,535)
(Decrease) in cash and cash equivalents	(42,831)	(35,098)
Cash and cash equivalents - Beginning of year	464,339	499,437
Cash and cash equivalents - End of year	421,508	464,339
Cash and cash equivalents are comprised of:		
Cash	21,508	60,439
Cash equivalents	400,000	403,900
	421,508	464,339

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

1 Nature of Operations and Future Operations

Corporate information

Black Birch Capital Acquisition II Corp. (the "**Company**") was incorporated pursuant to articles of incorporation dated November 3, 2009 under the *Business Corporations Act* (Ontario). The Company is a "Capital Pool Corporation" ("**CPC**"), as this term is defined in the policies of the TSX Venture Exchange (the "**Exchange**"). As at December 31, 2012, the Company has no business operations and did not enter into any agreements to acquire an interest in businesses or assets. The Company's principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company trades under the symbol BBT.P. The address of the Company's corporate office and principal place of business is 10 Pauline Avenue, Brooklin, Ontario, Canada, L1M 2H5.

The gross proceeds raised from the initial public offering ("IPO") may only be used to identify a Qualifying Transaction, with the exception that the lesser of 30% of the gross proceeds and $210,000 may be used to cover prescribed costs of issuing the common shares in the capital of the Company (the "**Common Shares**") or administrative and general expenses of the Company.

Where an acquisition or participation (the "Qualifying Transaction") is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. Under the policies of the Exchange, the Company must identify and complete a Qualifying Transaction within 24 months from the date the Company's shares are listed for trading on the Exchange. This deadline to complete a Qualifying Transaction was March 18, 2013. Accordingly, the Company's shares have been suspended from trading by the Exchange. The Company will be moved from the Exchange to the NEX Exchange in 90 days if a Qualifying Transaction has not been completed. In addition, 1,000,000 share issued to the founders will be cancelled. There is no assurance that the Company will be able to complete a Qualifying Transaction. See Note 13.

Going concern of operations

The Company does not generate revenue from operations. The Company incurred a net loss of $39,266 during the year ended December 31, 2012 and, as of that date the Company's deficit was $124,552. These financial statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As the Company has no revenues, its ability to continue as a going concern is dependent on obtaining additional financing and completing a Qualifying Transaction. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue a going concern.

2 Basis of Presentation

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared using the accrual basis of accounting, except for cash flow information. Furthermore, these financial statements are presented in Canadian dollars which is the functional currency of the Company.

These financial statements were authorized for issuance by the Board of Directors on April 29, 2013.

3 Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents include cash and cashable guaranteed investment certificates.

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share-based payments

The Company has established an equity-settled stock option plan for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

3 Significant Accounting Policies (continued)

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered significant or a prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3 Significant Accounting Policies (continued)

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivates, are also classified as held-for-trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

De-recognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition 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.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Earnings per share

Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive. During the years ended December 31, 2012 and 2011, the calculation of basic and diluted loss per share is the same as all outstanding stock options and warrants are anti-dilutive.

Use of estimates, assumptions and judgments

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

3 Significant Accounting Policies (continued)

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

i) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets and valuing income tax liabilities, management makes estimates related to expectations of future taxable income, applicable tax planning 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. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

ii) Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Foreign currencies

The financial statements for the Company are prepared using its functional currency. Functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of loss.

3 Significant Accounting Policies (continued)

Income tax

Income tax on the profit or loss for the periods 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, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

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.

Share capital and deferred financing fees

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

Costs related to shares not yet issued are recorded as deferred financing fees. These fees are deferred until the issuance of the shares to which the fees related to, at which time the fees will be charged against the related share capital or charged to profit or loss if the shares are not issued.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2013 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 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 IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also

3 Significant Accounting Policies (continued)

requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 10 – Consolidated Financial Statements ("IFRS 10") was issued by the IASB in May 2011 and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect returns. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.

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

(iv) IFRS 12, Disclosure of Interests in Other Entities, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. This new standard is effective for annual periods beginning on or after January 1, 2013.

(v) IFRS 13 – Fair Value Measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. It also establishes disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

(vi) IAS 1 – Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011. As a result of the amendment, items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

(vii) IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

4 Accounts Payable and Accrued Liabilities

	December 31, 2012 $	December 31, 2011 $
Current		
Trade payables	14,130	23,442
Accrued liabilities	5,000	5,500
	19,130	28,942

5 Share Capital

a) Authorized

An unlimited number of common shares.

The holders of the common shares are entitled to one vote per share. The holders of the common shares are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at December 31, 2012.

b) Issued and outstanding

	Number of common shares	Amount $
Balance – December 31, 2010	7,365,000	460,592
Additional share issue costs	-	(7,535)
Balance – December 31, 2011	7,365,000	453,057
Activity during the year	-	-
Balance – December 31, 2012	7,365,000	453,057

Pursuant to an Escrow Agreement dated September 15, 2010, the common shares acquired by the original shareholders of 2,000,000 common shares may not be traded, released, transferred or dealt with in any manner without the consent of the Exchange until the issuance of the Final Exchange Bulletin that evidences the final Exchange acceptance of the Qualifying Transaction. As of this date, none of the escrowed common shares have been released. Upon the issuance of the Final Exchange Bulletin, 10% of the escrowed common shares will be released. An additional 15% of the escrowed common shares will qualify for release every six months thereafter.

5 Share Capital (continued)

c) Stock options

Stock option plan

The Company has established a stock option plan (the "Plan") for the benefit of full-time and part-time employees, officers, directors and consultants of the Company. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Awards may be granted for a maximum term of ten years from the date of grant.

(i) Changes in stock options

The Company's stock options outstanding as at December 31, 2012 and 2011 and the changes for the years then ended are as follows:

	Number of options	**Weighted average price**	**Weighted average remaining contractual life (years)**
Balance – December 31, 2010	736,500	$0.10	4.96
Balance – December 31, 2011	736,500	$0.10	3.96
Balance – December 31, 2012	736,500	$0.10	2.96
Balance exercisable – December 31, 2012	736,500	$0.10	2.96

In connection with the filing of its IPO, the Company granted 736,500 stock options to officers and directors at a price of $0.10 per common share. These options vested immediately and are exercisable over a period of five years following the date of the closing of the IPO. The fair value of these stock options has been estimated at $0.0666 per option using the Black-Scholes model. The following assumptions were used: risk-free interest rate – 2.52%; expected volatility – 108%; dividend yield – Nil; expected life – 3 years.

During the year ended December 31, 2012, the Company recorded share-based payments of $Nil (December 31, 2011 - $Nil) in respect of stock options granted.

(ii) Fair value of stock options granted

The weighted average grant date fair value of options granted during the year ended December 31, 2012 was $Nil (December 31, 2011 - $Nil), as no options were granted.

(iii) Options exercised

During the year ended December 31, 2012, the weighted average share price at the date of exercise for stock options exercised was $Nil (December 31, 2011 - $Nil) as no options were exercised.

5 Share Capital (continued)

(iv) Options outstanding at the end of the year

The following table summarizes information concerning outstanding and exercisable options at December 31, 2012:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
736,500	736,500	$0.10	Dec. 17, 2015

d) **Warrants**

(i) Changes in warrants

The Company's warrants outstanding as at December 31, 2012 and 2011 and the changes for the years then ended are as follows:

	Number of warrants	Weighted average price
Balance – December 31, 2010	536,500	$0.10
Balance – December 31, 2011	536,500	$0.10
Balance – December 31, 2012	536,500	$0.10

In connection with the filing of its IPO, the Company issued 536,500 broker warrants which were exercisable at $0.10 per a period of 24 months from the date of closing (the "Agent's Options"). The agent's option vested immediately upon grant.

The fair value of the 536,500 agent's options is $0.0566 using the Black-Scholes model. The following weighted average assumptions were used: risk-free interest rate – 2.52%; expected volatility – 108%; dividend yield – Nil; expected life – 2 years.

(ii) Warrants exercised

During the year ended December 31, 2012, the weighted average share price at the date of exercise for warrants exercised was $Nil (December 31, 2011 - $Nil) as no warrants were exercised.

5 Share Capital (continued)

(iii) Warrants outstanding at the end of the year

Warrants to acquire common shares are outstanding at December 31, 2012 as follows:

Number Outstanding	Exercise Price	Expiry Date
536,500	$0.10	March 17, 2013

6 Related Party Transactions

As at December 31, 2012 the Company had no subsidiaries.

The Company's related parties consist of directors and officers or companies associated with them. The Company incurred no transactions with related parties during the years ended December 31, 2012 and 2011.

Key management includes the Chief Executive Officer and the Chief Financial Officer. In accordance with Exchange policies for CPCs, no salaries or other benefits may be paid or accrued to key management.

7 Basic and Diluted Loss Per Share

The calculation of basic and diluted loss per share for the years ended December 31, 2012 and 2011 was based on the following:

	December 31, 2012 $	December 31, 2011 $
Net loss and comprehensive loss for the year	(39,266)	(24,739)
Weighted average number of shares outstanding	5,365,000	5,365,000

At December 31, 2012, diluted loss per share did not include the effect of 1,273,000 (December 31, 2011 – 1,273,000) options and warrants outstanding as they are anti-dilutive. In addition, 2,000,000 founders shares have been excluded from the calculation as they are subject to escrow provisions.

8 Income Taxes

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rate of 26% (2011 – 28%) to the amount recognized in the statement of loss and comprehensive loss:

	2012 $	2011 $
Net loss for the year	39,266	24,739
Expected income tax recovery at Canadian statutory income tax rate	10,000	7,000
Adjustments resulting from:		
Difference in tax rates	4,000	(1,000)
Tax benefits not recognized	(14,000)	(6,000)
Income tax provision	-	-

Deferred tax assets have not been recognized in respect of the following items:

	2012 $	2011 $
Non-capital losses	49,000	27,000
Share issue costs	20,000	28,000
	69,000	55,000

At December 31, 2012, the Company had non-capital losses of approximately $184,000 available to offset future taxable income. These losses expire in beginning in 2029 to the extent unutilized. The future benefit of these losses has not been recognized in the financial statements.

9 Segment Information

The Company's operations are limited to a single industry segment, being the identification, evaluation, and acquisition of assets, properties or businesses. All assets and liabilities of the Company are located in Canada.

10 Financial Instruments

Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities. Cash and cash equivalents and accounts payable and accrued liabilities are measured at their amortized cost which approximates their fair value due to their short-term nature.

The Company classifies fair values of financial instruments within a three-level hierarchy that prioritizes the inputs to fair value measurement and reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. As at December 31, 2012, and 2011, the Company had no financial instruments measured at fair value and requiring classification in the hierarchy.

11 Financial Risk Exposure and Risk Management

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's search for a Qualifying Transaction, and limited exposure to credit and market risks. There were no changes to the objectives or the process from the prior period.

The types of risk exposure and the way in which such exposures are managed are as follows:

Concentration risk

Concentration risk exists in cash and cash equivalents because all balances are maintained with one financial institution. This risk is mitigated by the fact that the bank is a Canadian chartered bank.

Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its commercial obligations. The Company believes its exposure to credit risk is not significant.

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 manages liquidity risk by maintaining sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

11 Financial Risk Exposure and Risk Management (continued)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

a) 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 risk that the Company will realize a loss as a result of a decline in the fair value of the short term investments included in cash and cash equivalents is limited because these instruments, although available for sale, are generally held to maturity and the interest rate is fixed. The Company manages its cash according to its operational needs.

b) Foreign currency risk

Foreign currency risk is the risk of loss from fluctuation in foreign exchange rates. Since the Company's assets and liabilities are all denominated in Canadian dollars and its operations are all in Canada this risk is considered remote.

12 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to complete a Qualifying Transaction so that it can provide adequate returns for shareholders. 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 sustain future development of the business. The Company defines capital as total equity.

The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements of the Exchange. The Company expects its current capital resources will be sufficient to complete a Qualifying Transaction.

During the years ended December 31, 2012 and 2011, there were no changes in the Company's strategies with respect to management of capital.

13 Subsequent Events

Effective January 4, 2013 the Company announced a qualifying transaction with GS International Mining Co., Ltd. ("GSI") to acquire Mineral Guangshou Ecuador S.A. of Ecuador (the "Acquisition"). Mineral Guangshou Ecuador S.A. ("Guangshou") holds a 70% interest in the Ecuador company, JVChinapintza Mining S.A. ("JV Chinapintza"), which holds a 100% interest in and title to an Ecuador gold mineral property located in the Viche Conguime I Concession of the Condor Gold Project in the Zamora Province of Ecuador (the "Chinapintza Property"). The Company plans to acquire Guangshou in exchange for the issuance of 35,000,000 common shares of the Company.

13 Subsequent Events (continued)

In connection with the Acquisition, the Company intends to complete a private placement for minimum gross aggregate proceeds of up to $55,000 and maximum gross proceeds of $500,000 (the "Private Placement").

Pursuant to the Private Placement, the Company has entered into a sponsorship agreement ("Sponsorship Agreement"), whereby the sponsor will provide a sponsorship report pursuant to the policies of the Exchange for a fee of $35,000 plus applicable taxes. Under the Sponsorship Agreement, the Sponsor will be entitled to a cash commission of 10% of the gross proceeds raised from investors introduced to the Company and 6% if not otherwise introduced plus a number of Resulting Issuer Warrants (the "Agent's Warrants") equal to 10% of the number of the Company's common shares purchased by investors introduced by the sponsor to the Company and 6% of the number of the Company's shares purchased by investors not introduced by the sponsor. Each Agent's Warrant will entitle the holder to acquire one post-Acquisition common share of the Company for a period of 24 months from the date of issue at a price of $0.10 per share.

The above transaction is subject to a number of conditions including the completion of due diligence and Exchange approval.

Subsequent to December 31, 2012, 536,500 warrants expired unexercised.