

## Financial Statements

(Stated in Canadian Dollars)

### **Marksmen Capital Inc.**

June 30, 2009

**NOTICE TO SHAREHOLDERS**  
**FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2009**  
**MARKSMEN CAPITAL INC.**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Marksmen Capital Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the September 30, 2008 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities.

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

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

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

**Marksmen Capital Inc.**

(Incorporated under the laws of British Columbia)

**BALANCE SHEET**

As at June 30, 2009  
(with comparative figures as at September 30, 2008)  
(Stated in Canadian Dollars)

	<b>June 30 2009 \$</b>	<b>September 30 2008 \$</b>
<b>ASSETS</b>		
Current		
Cash and cash equivalents	<b>149,528</b>	220,384
Accounts receivable	-	3,183
Prepays and deposits	<b>614</b>	268
	<b>150,142</b>	<b>223,835</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	<b>4,417</b>	27,165
<b>SHARE CAPITAL</b>		
Issued		
Common shares [note 3]	<b>265,656</b>	265,656
Share purchase warrants [note 4]	<b>10,724</b>	10,724
Contributed surplus	<b>30,740</b>	30,740
Deficit	<b>(161,395)</b>	(110,450)
Total	<b>145,725</b>	196,670
	<b>150,142</b>	<b>223,835</b>

*See accompanying notes to the financial statements*

On behalf of the Board:

"Dan Mechis"  
Director

"Ewan Downie"  
Director

**Marksmen Capital Inc.**

**STATEMENT OF EARNINGS AND DEFICIT**  
**(Unaudited)**

	Three months ended June 30		Nine months ended June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>EXPENSES</b>				
Corporate accounting	2,070	-	5,670	-
Corporate secretarial	2,950	-	4,275	-
Filing services	648	-	5,132	-
General consulting	-	-	12,693	-
Listing fees	2,365	-	7,365	-
Professional fees	3,499	10,000	8,792	14,000
Transfer agent fees	2,012	-	7,018	-
	<b>13,544</b>	10,000	<b>50,945</b>	14,000
Loss for period	<b>(13,544)</b>	(10,000)	<b>(50,945)</b>	(14,000)
Deficit, beginning of period	<b>(147,851)</b>	(4,000)	<b>(110,450)</b>	-
Deficit, end of period	<b>(161,395)</b>	(14,000)	<b>(161,395)</b>	(14,000)
Basic and diluted loss per common share			<b>(0.02)</b>	(0.01)

*See accompanying notes to the financial statements*

**Marksmen Capital Inc.****STATEMENT OF CASH FLOWS  
(Unaudited)**

	Three months ended June 30		Nine months ended June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Loss for period	(13,544)	(10,000)	(50,945)	(14,000)
Add charges to earnings not involving a current payment (receipt) of cash				
	(13,544)	(10,000)	(50,945)	(14,000)
Net change in non-cash working capital balances related to operations	(3,240)	10,000	(19,911)	4,000
Cash provided by (used in) operating activities	(16,784)	-	(70,856)	(10,000)
<b>FINANCING ACTIVITIES</b>				
Shares issued in private placements	-	11,200	-	116,200
Net change in non-cash working capital balances related to financing activities	-	-	-	(20,000)
Cash provided by financing activities	-	11,200	-	96,200
Increase (decrease) in cash and cash equivalents during period	(16,784)	11,200	(70,856)	86,200
Cash, beginning of period	166,312	75,000	220,384	-
Cash, end of period	149,528	86,200	149,528	86,200

See accompanying notes to the financial statements

## **Marksmen Capital Inc.**

# **NOTES TO FINANCIAL STATEMENTS (Unaudited)**

For the nine months ended June 30, 2009  
(with comparative figures for the year  
ended September 30, 2008)

### **1. NATURE OF BUSINESS AND GOING CONCERN**

Marksmen Capital Inc. (the "Corporation" or "Marksmen") was incorporated under the laws of the Province of British Columbia on March 11, 2008. The Corporation completed an initial public offering and commenced trading on the TSX Venture Exchange (the "TSX-V" or "Exchange") on August 6, 2008 and was classified as a Capital Pool Company ("CPC") as defined in the TSX-V Listings Policy 2.4. As a CPC, the principal business of the Corporation is to complete a Qualifying Transaction ("QT") by identifying and evaluating opportunities for the acquisition of an interest in assets or a business, and subsequently negotiate an acquisition or participation subject to receipt of shareholder approval and acceptance for filing by the Exchange.

The accompanying financial statements have been prepared on the basis of Canadian generally accepted accounting principles applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability to realize assets and discharge liabilities in the normal course of business in the foreseeable future and the ability of the Corporation to raise additional capital.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The unaudited interim financial statements of Marksman have been prepared by management on the basis of the Corporation's continuance as a going-concern and follow the same accounting policies as the most recent annual audited financial statements except for the changes as noted below. The interim financial statement note disclosures do not include all of those required by Canadian generally accepted accounting principles applicable for annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the 2008 audited financial statements.

### **FUTURE ACCOUNTING CHANGES**

#### **Convergence with International Financial Reporting Standards**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to implement IFRS, which will replace Canadian GAAP for these types of entities.

## Marksmen Capital Inc.

### NOTES TO FINANCIAL STATEMENTS (Unaudited)

For the nine months ended June 30, 2009  
(with comparative figures for the year  
ended September 30, 2008)

The effective date for this change is interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of quarterly and annual amounts reported by the Corporation for the year September 30, 2011. The Corporation is in the process of developing a plan for IFRS convergence. Detailed analysis of the differences between IFRS and the Corporation's accounting policies and assessment of the various alternatives for first time adoption of IFRS are in progress. Training for key employees has begun and will continue throughout implementation. Due to the anticipated changes in IFRS prior to transition, it is currently not possible to full determine the impact on the consolidated results.

#### **Business combinations / consolidated financial statements / non-controlling interests**

In January 2009, the CICA adopted sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests" which superseded current sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections were created to converge Canadian GAAP to IFRS.

#### **3. COMMON SHARES**

The Corporation is authorized to issue an unlimited number of voting common shares.

	<b>Number</b>	<b>Value</b>
	<b>#</b>	<b>\$</b>
Balance, March 11, 2008	-	-
Private placements	1,660,000	116,200
Shares issued in initial public offering	1,430,000	200,200
Share issue costs	-	(50,744)
<b>Balance, September 30, 2008</b>	<b>3,090,000</b>	<b>265,656</b>
	-	-
<b>Balance, June 30, 2009</b>	<b>3,090,000</b>	<b>265,656</b>

Of the 3,090,000 common shares issued and outstanding, 1,660,000 are held in escrow in accordance with the policies of the TSX Venture Exchange and may not be released from escrow and traded without the prior written consent of the regulatory authorities.

## Marksmen Capital Inc.

### NOTES TO FINANCIAL STATEMENTS (Unaudited)

For the nine months ended June 30, 2009  
(with comparative figures for the year  
ended September 30, 2008)

#### 4. SHARE PURCHASE WARRANTS

The following table reflects the continuity of warrants:

Expiry Date	Exercise Price \$	Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	Closing Balance #
August 6, 2010	0.14	143,000	-	-	-	143,000

The fair value of the share purchase warrants has been estimated using the Black-Scholes option pricing model. The assumptions used for the valuation of the respective warrants were:

Dividend yield 0%, expected volatility 100%, a risk-free interest rate of 3.50% and an expected life of 24 months. Value assigned to the 143,000 share purchase warrants issued in the previous year was \$10,724.

The following table reflects the value of share purchase warrants currently outstanding:

Warrants	Number #	Value \$
Share purchase warrants, exercisable at \$0.14 and expiring August 6, 2010	143,000	10,724

**Marksmen Capital Inc.**

**NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

For the nine months ended June 30, 2009  
(with comparative figures for the year  
ended September 30, 2008)

**5. SHARE INCENTIVE PLAN**

The Corporation has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the continuity of stock options under the Plan:

	Number of Stock Options #	Weighted Average Exercise Price \$
Opening balance	290,000	0.14
Options granted	-	-
	290,000	3.50

The following table reflects the stock options outstanding as at June 30, 2009:

Expiry Date	Exercise Price \$	Options Outstanding #
August 6, 2013	0.14	290,000

On August 6, 2008, a total of 290,000 stock options were issued to directors, officers, key employees and certain consultants of the Corporation. All of the 290,000 options issued vested immediately.

**Marksmen Capital Inc.**

**NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

For the nine months ended June 30, 2009  
(with comparative figures for the year  
ended September 30, 2008)

The Corporation applies the fair value method of accounting for all stock-based compensation awards and accordingly, \$30,740 was recorded as compensation for the 290,000 stock options that vested during the previous year.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 3.50%, expected life of 5 years vesting immediately.

The following table reflects the continuity of contributed surplus relating to stock options:

	Number of Options #	Amount \$
Balance, September 30, 2008	290,000	30,740
Options granted	-	-
Options exercised	-	-
Balance, June 30, 2009	290,000	30,740

**6. LOSS PER SHARE**

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share is the same as basic loss per share. The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

	2009	2008
<u>Numerator:</u>		
Net loss	(50,945)	(14,000)
<u>Denominator:</u>		
Weighted average number of common shares	2,945,041	1,660,000
<b>Weighted average loss per share</b>	<b>(0.02)</b>	<b>(0.01)</b>

## Marksmen Capital Inc.

### NOTES TO FINANCIAL STATEMENTS (Unaudited)

For the nine months ended June 30, 2009  
(with comparative figures for the year  
ended September 30, 2008)

#### 7. MANAGEMENT OF CAPITAL RISK

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern in order to pursue its business objectives and to maintain a flexible capital structure which optimises the costs of capital at an acceptable risk. In the management of capital, the Corporation includes the components of shareholders' equity, as well as cash and cash equivalents and investments. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and investments.

#### 8. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

The Corporation had no held-to-maturity or available for sale instruments and had no allowance for credit losses as at June 30, 2009 and September 30, 2008:

	2009	2008
Financial Assets		
<i>Held for trading, measured at fair value</i>		
Cash and cash equivalents	149,528	220,384
<i>Loans and receivables measured at amortized cost using the effective interest method</i>		
Accounts receivable	-	3,183
Financial Liabilities		
<i>Other liabilities, measured at amortized cost using the effective interest method</i>		
Accounts payable and accrued liabilities	4,417	27,165

##### (a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Corporation manages its credit risk by holding cash equivalents and investments through large Canadian financial institutions.

**Marksmen Capital Inc.**

**NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

For the nine months ended June 30, 2009  
(with comparative figures for the year  
ended September 30, 2008)

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

(c) Fair Value

Financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying value, unless otherwise noted, due to the short terms to maturity.

**9. RELATED PARTIES**

Included in expenses are amounts totalling \$1,800 (2008 - \$1,800) for accounting services and facilities related charges provided by The Alyris Group, a company related to the Corporation through a common directorship. The amounts are recorded at the exchange amount agreed to by the parties.