

Interim Financial Statements  
(Unaudited)  
(Stated in Canadian Dollars)

**Marksmen Capital Inc.**

December 31, 2009

**NOTICE TO SHAREHOLDERS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
**MARKSMEN CAPITAL INC.**

Responsibility for Financial Statements

The accompanying financial statements for Marksmen Capital Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the September 30, 2009 annual audited financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Corporation is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

**Marksmen Capital Inc.**  
(Incorporated under the laws of British Columbia)

**BALANCE SHEET**  
(Unaudited)

As at December 31, 2009  
(with comparative figures as at September 30, 2009)  
(Stated in Canadian Dollars)

	<b>December 31</b>	September 30
	<b>2009</b>	2009
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	37,053	44,838
Prepays and deposits	268	268
Investment [note 3]	101,335	100,511
	<b>138,656</b>	<b>145,617</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	11,012	9,830
<b>Shareholders' equity</b>		
Share capital		
Issued		
Common shares [note 4]	265,656	265,656
Share purchase warrants [note 5]	10,724	10,724
Contributed surplus [note 7]	30,740	30,740
Deficit	(179,476)	(171,333)
<b>Total shareholders' equity</b>	<b>127,644</b>	<b>135,787</b>
	<b>138,656</b>	<b>145,617</b>

See accompanying notes

On behalf of the Board:

"Daniel Mechis"  
Director

"Ewan Downie"  
Director

**Marksman Capital Inc.****STATEMENT OF EARNINGS AND DEFICIT**  
(Unaudited)For the three months ended December 31  
(Stated in Canadian Dollars)

	<b>2009</b>	2008
	\$	\$
<b>REVENUE</b>		
Investment income	<b>824</b>	-
<b>EXPENSES</b>		
Corporate accounting	<b>1,902</b>	1,800
Corporate secretarial	<b>2,048</b>	-
Filing services	<b>3,175</b>	-
General consulting	-	12,693
Professional fees	<b>235</b>	1,755
Office expenses	-	337
Transfer agent fees	<b>1,607</b>	2,117
	<b>8,967</b>	18,702
<b>Loss and comprehensive loss for period</b>	<b>(8,143)</b>	(18,702)
Deficit, beginning of period	<b>(171,333)</b>	(110,450)
<b>Deficit, end of period</b>	<b>(179,476)</b>	(129,152)
<b>Basic and diluted loss per share [note 8]</b>	-	(0.01)

*See accompanying notes*

**Marksmen Capital Inc.**

**STATEMENT OF CASH FLOWS**  
(Unaudited)

For the three months ended December 31  
(Stated in Canadian Dollars)

	<b>2009</b>	2008
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Loss and comprehensive loss for period	<b>(8,143)</b>	(18,702)
Net change in non-cash working capital balances related to operations	<b>358</b>	(16,094)
<b>Cash used in operating activities</b>	<b>(7,785)</b>	(34,796)
<b>INVESTMENT ACTIVITIES</b>		
<b>Cash provided by investment activities</b>	-	-
<b>FINANCING ACTIVITIES</b>		
<b>Cash provided by financing activities</b>	-	-
<b>Decrease in cash and cash equivalents during period</b>	<b>(7,785)</b>	(34,796)
Cash and cash equivalents, beginning of period	<b>44,838</b>	220,384
<b>Cash and cash equivalents, end of period</b>	<b>37,053</b>	185,588

*See accompanying notes*

## **Marksmen Capital Inc.**

# **NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

At December 31, 2009 and September 30, 2009  
(Stated in Canadian Dollars)

### **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**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

#### **Use of estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

#### **Cash and cash equivalents**

Short-term investments which have a term to maturity of three months or less from the acquisition date are considered cash equivalents. Cash and cash equivalents have been designated as held-for-trading and are measured at market value with realized and unrealized gains and losses reported in net income.

## **Marksmen Capital Inc.**

### **NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

At December 31, 2009 and September 30, 2009  
(Stated in Canadian Dollars)

#### **Financial instruments**

Financial assets are classified as held-to-maturity, loans and receivables, held-for trading or available-for-sale. The held-to-maturity classification is restricted to fixed maturity instruments that the Corporation intends and is able to hold to maturity. Assets classified as held-to-maturity or loans and receivables are accounted for at amortized cost. Held-for-trading assets are recorded at fair value with realized and unrealized gains and losses reported in net income. The remaining financial assets are classified as available-for-sale and will be recorded at fair value with unrealized gains and losses reported in a new category of the balance sheet under shareholders equity called other comprehensive income. Financial liabilities are classified as either held-for-trading or other financial liabilities. Held-for-trading liabilities are recorded at fair value with realized and unrealized gains and losses reported in net income, and the remaining financial liabilities are classified as other liabilities and accounted for at amortized cost.

At December 31, 2009 the Corporation's financial instruments consisted of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments. The Corporation estimates that the fair value of these financial instruments approximate the carrying values.

The Corporation designates its cash and cash equivalents as held-for-trading which are measured at fair value. Accounts receivables and prepaids and deposits are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost. The Corporation had no financial instruments available for sale during the period ending December 31, 2009. Changes in the fair value of the Corporation's cash and cash equivalents are included in investment income each period.

## **Marksmen Capital Inc.**

### **NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

At December 31, 2009 and September 30, 2009  
(Stated in Canadian Dollars)

#### **FUTURE ACCOUNTING CHANGES**

##### **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 use IFRS, which will replace Canadian GAAP.

The effective date is for 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 amounts reported by the Corporation for the year ended September 30, 2011. 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 fully determine the impact on the consolidated results.



## Marksmen Capital Inc.

### NOTES TO FINANCIAL STATEMENTS

(Unaudited)

At December 31, 2009 and September 30, 2009  
(Stated in Canadian Dollars)

#### 3. INVESTMENTS

	2010 \$	2009 \$
Guaranteed investment certificate	<b>101,335</b>	100,511

As at December 31, 2009 the Corporation held a Canadian dollar denominated guaranteed investment certificate maturing August 5, 2014 at a yield of 3.27%.

#### 4. SHARE CAPITAL

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

	Number #	Value \$
Balance, March 11, 2008	-	-
Private placement	1,660,000	116,200
Shares issued in initial public offering	1,430,000	200,200
Share issue costs	-	(50,744)
Balance, September 30, 2008	3,090,000	265,656
	-	-
Balance, September 30, 2009	3,090,000	265,656
	-	-
<b>Balance, December 31, 2009</b>	<b>3,090,000</b>	<b>265,656</b>

#### Private Placement

On August 1, 2008 the Corporation issued an aggregate of 1,660,000 common shares (the "Common Shares") at a price of \$0.07 per Common Share for gross proceeds of \$116,200. The Common Shares were offered by way of non-brokered private placement exemptions in certain Provinces in Canada. Under the requirements of the TSX Venture Exchange the Common Shares will be held in escrow and may not be released from escrow and traded without the prior written consent of the regulatory authorities.

#### Initial Public Offering

On August 6, 2008 the Corporation completed its initial public offering ("IPO") of 1,430,000 common shares in the capital of the Corporation at a price of \$0.14 per common share for gross proceeds of \$200,200 (the "Proceeds"). The Corporation paid Canaccord Capital Corporation a cash commission equal to 10% of the Proceeds plus an administration fee and related expenses of \$20,000 and granted a non-transferable option (the "Agent's Option") to purchase 143,000 common shares of the Corporation equal to 10% of the number of common shares sold through the IPO. The Agent's Option is exercisable for a period of 24 months from the date of listing on the TSX Venture Exchange at a price of \$0.14 per common share.

## Marksmen Capital Inc.

### NOTES TO FINANCIAL STATEMENTS

(Unaudited)

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#### 5. SHARE PURCHASE WARRANTS

The following table reflects the continuity of warrants:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Opening Balance</b>	<b>Warrants Issued</b>	<b>Warrants Exercised</b>	<b>Warrants Expired</b>	<b>Closing Balance</b>
	\$	#	#	#	#	#
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 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 was \$10,724.

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

<b>Warrants</b>	<b>Number</b>	<b>Value</b>
	#	\$
Share purchase warrants, exercisable at \$0.14 and expire August 6, 2010	143,000	10,724

## Marksmen Capital Inc.

### NOTES TO FINANCIAL STATEMENTS

(Unaudited)

At December 31, 2009 and September 30, 2009  
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#### 6. 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	-	-
<b>Balance, December 31, 2009</b>	<b>290,000</b>	<b>0.14</b>

The following table reflects the stock options outstanding as at December 31, 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)

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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 2008.

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.

#### 7. CONTRIBUTED SURPLUS

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

	\$
Balance, March 11, 2008	-
Stock options vested	30,740
Options cancelled	-
Balance, September 30, 2008	30,740
	-
Balance, September 30, 2009	30,740
	-
<b>Balance, December 31, 2009</b>	<b>30,740</b>

#### 8. 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.

	2010 \$	2009 \$
<u>Numerator:</u>		
Net loss	(8,143)	(110,450)
<u>Denominator:</u>		
Weighted average number of common shares	3,090,000	3,090,000
<b>Basic and diluted loss per share</b>	<b>-</b>	<b>(0.04)</b>

## **Marksmen Capital Inc.**

### **NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

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#### **9. 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.

#### **10. MANAGEMENT OF FINANCIAL RISK**

The Corporation's financial instruments are exposed to certain financial risks, including credit risk, and liquidity risk.

##### (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's cash equivalents are held through large Canadian financial institutions.

##### (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.

#### **11. RELATED PARTIES**

Included in general and administrative expenses are amounts totalling \$1,902 (2008 - \$1,800) for accounting services and facility related charges provided by 1752466 Ontario Inc., a company related to the Corporation through common directorship. The amounts are recorded at the exchange amount agreed to by the parties.