AsiaBaseMetals Inc.

FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED

March 31, 2012 and 2011

(UNAUDITED – PREPARED BY MANAGEMENT)

ASIABASEMETALS INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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 financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

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

ASIABASEMETALS INC.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2012 AND SEPTEMBER 30, 2011

(Unaudited - Expressed in Canadian Dollars)

		March 31, 2012		September 30, 2011 (Note 13)
ASSETS				
Current				
Cash	$	308,094	$	203,709
Amounts receivable		16,490		22,831
Prepaid expense		14,999		45,105
		339,583		271,645
Exploration and evaluation assets (Note 5)		28,276		28,276
Deposit on exploration and evaluation assets (Note 6)		200,000		200,000
	$	567,859	$	499,921
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	64,565	$	38,489
Amounts due to related parties (Note 9)		45,052		-
		109,617		38,489
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		1,386,969		1,039,613
Share-based payment reserves		295,152		273,545
Accumulated deficit		(1,223,879)		(851,726)
		458,242		461,432
	$	567,859	$	499,921

CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS (Note 1)

SUBSEQUENT EVENTS (Note 12)

Approved by the Board on May 23, 2012:

"Raj Chowdhry"	*"Gerald Booth"*
Director	Director

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

ASIABASEMETALS INC.

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE LOSS

FOR THREE AND SIX MONTHS ENDED MARCH 31, 2012 AND 2011

(Unaudited - Expressed in Canadian Dollars)

	Three months ended March 31,		Six months ended March 31,	
	2012	**2011** (Note 13)	**2012**	**2011** (Note 13)
EXPENSES				
Advertising and promotion	$ 6,776	$ -	$ 7,176	$ 631
Exploration	85,007	8,420	114,424	10,764
Foreign exchange loss (gain)	8,963	(139)	10,176	-
Insurance	4,213	-	8,426	-
Interest and bank charges	112	88	660	146
Management fees	30,000	10,000	60,000	10,000
Office, administration, and miscellaneous	17,640	6,443	32,926	13,343
Professional fees	13,727	7,208	53,984	14,301
Regulatory and transfer agent fees	14,155	11,306	15,305	14,494
Rent	6,000	6,000	12,000	12,000
Share-based payments	10,535	33,216	21,607	66,429
Travel	2,923	-	35,469	-
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(200,051)	(82,542)	(372,153)	(142,108)
BASIC AND DILUTED LOSS PER SHARE	$ -	$ -	$ (0.01)	$ -
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	71,351,899	68,692,558	71,020,427	68,692,558

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

ASIABASEMETALS INC.

INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED MARCH 31, 2012 AND 2011

(Unaudited - Expressed in Canadian Dollars)

	Common Shares								
	Number of Common Shares		Amount		Share-based Payments Reserves		Accumulated Deficit		Total
Balances October 1, 2010	68,692,558	$	646,748	$	178,076	$	(516,905)	$	307,919
Share-based payments	-		-		66,429		-		66,429
Loss for the period	-		-		-		(142,108)		(142,108)
Balance at March 31, 2011	68,692,558	$	646,748	$	244,505	$	(659,013)	$	232,240
Balances October 1, 2011	70,692,558	$	1,039,613	$	273,545	$	(851,726)	$	461,432
Share-based payments	-		-		21,607		-		21,607
Private placement	1,875,000		347,356		-		-		347,356
Loss for the period	-		-		-		(372,153)		(372,153)
Balance at March 31, 2012	72,567,558	$	1,386,969	$	295,152	$	(1,223,879)	$	458,242

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

ASIABASEMETALS INC.

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2012 AND 2011

(Unaudited - Expressed in Canadian Dollars)

	Three months ended March 31,		Six months ended March 31,	
	2012	**2011** (Note 13)	**2012**	**2011** (Note 13)
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	$ (200,051)	$ (82,542)	$ (372,153)	$ (142,108)
Items not involving cash				
Share-based payments	10,535	33,216	21,607	66,429
	(189,516)	(49,326)	(350,546)	(75,679)
Change in non-cash working capital items				
Amounts receivable	22,308	2,198	6,341	3,134
Prepaid expenses	13,643	-	30,106	-
Accounts payable and accrued liabilities	34,765	10,356	26,076	1,356
Due to related parties	23,208	13,875	45,052	27,750
Cash used in operating activities	(95,592)	(22,897)	(242,971)	(43,439)
INVESTING ACTIVITY				
Resource property costs	-	-	-	(5,952)
Cash used in investing activity	-	-	-	(5,952)
FINANCING ACTIVITY				
Proceeds from private placement	347,356	-	347,356	-
Cash provided by financing activity	347,356	-	347,356	-
INCREASE (DECREASE) IN CASH DURING THE PERIOD	251,764	(22,897)	104,385	(49,391)
CASH, BEGINNING OF PERIOD	56,330	328,707	203,709	355,201
CASH, END OF PERIOD	$ 308,094	$ 305,810	$ 308,094	$ 305,810

(The accompanying notes are an integral part of these interim condensed financial statements.)

1. CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS

AsiaBaseMetals Inc. (the "Company") was incorporated on August 11, 2009 under the laws of British Columbia. The Company's principal business activities include the acquisition, exploration and development of resource property. The address of the Company's corporate office and principal place of business is 1723-595 Burrard Street, Vancouver, British Columbia, V7X 1G4, Canada.

At March 31, 2012, the Company had not yet determined whether its property contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition of the resource property.

These interim condensed financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These interim condensed financial statements are unaudited and have been prepared in accordance with IAS 34 – *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of presentation

The interim condensed financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, as explained in the accounting policies set out in Note 2. The comparative figures presented in these interim condensed financial statements are in accordance with IFRS and have not been audited.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These interim condensed financial statements do not include all of the information required for full annual financial statements.

The preparation of these interim condensed financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these interim condensed financial statements. They also have been applied in preparing an opening IFRS balance sheet at October 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1 – *First Time Adoption of International Financial Reporting Standards* ("IFRS 1"). The impact of the transition from GAAP to IFRS is explained in Note 13.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of presentation (continued)

These interim financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of $1,223,879 at March 31, 2012. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

c) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

d) Exploration and evaluation assets

Exploration expenditures are expensed as incurred and direct costs of exploration and evaluation assets, such as property acquisition costs and leases are capitalized. Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Development costs incurred on a mineral property are deferred once management has determined, based on a feasibility study, that, a property is capable of economical commercial production as a result of having established proven and probable reserves. Development costs are carried at cost less accumulated depletion and accumulated impairment charges. Exploration expenditures incurred prior to determining that a property has economically recoverable resources are expensed as incurred.

The Company reviews the carrying values of mineral properties and development costs regularly with a view to assessing whether there has been any impairment in value, or whenever events or changes in circumstances that indicate the carrying value may not be recoverable. In the event the estimated discounted cash flows expected from its use or eventual disposition is determined to be insufficient to recover the carrying value of the property, the carrying value is written down to the estimated recoverable amount.

Once a mine has achieved commercial production, mineral properties and development costs are depleted on a units-of-production basis over the life of the mine.

e) Share-based payment transactions

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Share-based payment transactions (continued)

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

f) Foreign currency translation

Transactions and balances in currencies other than the Canadian dollar are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the balance sheet date are recognized in the income statement.

g) Loss per share

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

h) Income taxes

i) Current income tax

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Income taxes (continued)

ii) Deferred tax

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of goodwill, or assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

i) 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 earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's amounts receivable are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At March 31, 2012, the Company has not classified any financial assets as available for sale.

Transactions 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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 rate method. The effective interest rate 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 discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these interim condensed financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include income taxes, share-based payments and assessment of impairment of exploration and evaluation assets.

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 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 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Impairment (continued)

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

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IFRS 9 – *Financial Instruments: Classification and Measurement*

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 – *Consolidated Financial Statements*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 – *Joint Arrangements*

IFRS 11 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.

IFRS 12 – *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

(Unaudited - Expressed in Canadian Dollars)

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

IFRS 13 – *Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard 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. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards

In addition, there have been other amendments to existing standards, including IAS 27 – *Separate Financial Statements* and IAS 28 – *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 10 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim consolidated financial statements or whether to early adopt any of the new requirements.

5. EXPLORATION AND EVALUATION ASSETS

Gnome Zinc

On September 30, 2009, Tintina Resources Inc. ("Tintina") transferred its interest in the Gnome Zinc project and $500,000 in cash to the Company as part of its reorganization. Tintina also transferred its right, title and interest in the Gnome Zinc project to purchase a 1% NSR royalty for $2,000,000 up to the period ending on March 11, 2020. The Company recorded the transaction in accordance with Section 3840, *Related Party Transactions* of the CICA Handbook.

The transaction was recorded as a shareholder transfer at Tintina's carrying value of the Gnome Zinc project of $146,748 and an increase in cash of $500,000.

Expenditure for the three months ended March 31, 2012 and the year ended September 30, 2011 is as follows:

		October 1, 2011		**Acquisition Costs**		**March 31, 2012**
Gnome Zinc	$	28,276	$	-	$	28,276

		October 1, 2010		**Acquisition Costs**		**September 30, 2011**
Gnome Zinc	$	21,824	$	6,452	$	28,276

6. DEPOSIT ON EXPLORATION AND EVALUATION ASSETS

On September 1, 2011, the Company signed a letter of intent to purchase an interest in a potash exploration property (the "Vientiane Potash Project") located in the Huaxieng – Xaithany area of Vientiane province, Laos.

The consideration payable by the Company to acquire the 90% interest in the Vientiane Potash Project will be up to an aggregate of $4,000,000 in cash payments and the issuance of up to an aggregate of 22,000,000 common shares, payable in stages on completion of specific financing, resource and engineering studies, mine development and construction milestones.

Under the letter of intent, the Company agreed to advance $200,000 as a deposit which was paid as at March 31, 2012. The vendor may use the deposit to fund expenditures related to the transfer of the Vientiane Potash Project and if the definitive agreement is not completed, $175,000 of the deposit would be refundable.

On January 17, 2012, the Company signed a Purchase and Sale agreement to acquire the 90% interest in the Vientiane Potash Project. The Company is performing technical and legal due diligence on the project.

In addition, on February 8, 2012, the Company entered into an agreement whereby the vendor promises to pay, without set off, deduction or counterclaim of any kind or nature, $100,000 to the Company on demand on or after July 15, 2012. The Promissory Note will terminate and be of no further force or effect on the date of closing, as defined in the Purchase and Sale agreement.

7. SHARE CAPITAL

a) Authorized: The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and outstanding as at March 31, 2012: 72,567,558 (2011 – 68,692,558) common shares

c) On February 21, 2012, the Company closed a non-brokered private placement. The Company sold 1,875,000 common shares at a price of $0.20 per share, raising gross proceeds of $375,000.

See Interim Condensed Statements of Changes in Equity for details.

8. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS

On September 25, 2009, the Company adopted a rolling stock option plan (the "Plan") to grant options to directors, senior officers, employees, independent contractors and consultants of the Company. The Plan reserves for issuance up to 10% of the issued and outstanding share capital of the Company from time to time, and provides that it is solely within the discretion of the Board or, if the Board so elects, by a committee consisting of not less than two of its members appointed by the Board, to determine who should receive options and in what amounts.

Options granted under the Plan for a term not to exceed 10 years from the date of their grant and are exercisable at a price not less than the discounted market price (which is the market price less a discount of 25% for a closing price of up to $0.50, a discount of 20% for a closing price of $0.51 to $2.00, and a discount of 15% for a closing price above $2.00, subject to a minimum of $0.10).

On April 28, 2010, the Company granted 1,790,000 stock options to directors, senior officers, employees, independent contractors and consultants of the Company under the Plan. The options are exercisable for a period of five years, at a price of $0.20 per share. Of the stock options granted, 200,000 fully vested on the grant date, and the remaining 1,590,000 stock options vest at a rate of one-third upon grant date; one-third one year after the grant date; and one-third two years after the grant date until the options are fully vested.

(Unaudited - Expressed in Canadian Dollars)

8. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS (continued)

During the three months ended March 31, 2012, the Company did not grant any stock options.

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance at September 30, 2011	1,790,000	$ 0.20
Cancelled	(3,334)	$ 0.20
Balance at March 31, 2012	1,786,666	$ 0.20

The following table summarizes stock options outstanding and exercisable at March 31, 2012:

	Options Outstanding			Options Exercisable	
Exercise Price $	Number of Shares	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
0.20	1,786,666	3.08	0.20	1,259,996	0.20

Stock options outstanding at March 31, 2012 will expire on April 28, 2015.

9. RELATED PARTY BALANCES AND 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. 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. The Company had the following related party transactions which were measured at the exchange amount, which is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities:

	Six months ended March 31,	
	2012	**2011**
Rent fees	$ 12,000	$ 12,000
Administration fees	30,990	12,000
Geological services fees	-	3,750
Other	2,062	-
	$ 45,052	$ 27,750

Rent, administration and geological fees of $42,990 were payable to Tintina for services received during the six months ended March 31, 2012 (2011 - $27,750). Tintina is a related party having three directors and a major shareholder in common with the Company. These transactions were in the normal course of business and were measured at the exchange amount, which is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

As at March 31, 2012, the Company owed $45,052 to Tintina (September 30, 2011 - $nil). The amount was non-interest bearing, unsecured and is due upon demand.

(Unaudited - Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Key management personnel compensation:

The remuneration of directors and other members of key management is as follows:

		Six months ended March 31, 2012		2011
Management fees	$	60,000	$	10,000
Share-based payments		19,984		59,953
Total remuneration	$	79,984	$	69,953

Key management personnel receive compensation in the form of short-term employee benefits, share-based payments, and post-employment benefits. Short-term benefits include management fees paid to the President of the Company for his services in his role. No post-employment benefits were paid to key management personnel during the six months ended March 31, 2012.

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject to.

As at March 31, 2012, the Company had capital resources consisting of cash and amounts receivable. The Company 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 Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations through its current operating year.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Financial Instruments and Fair Value Measurements

IFRS 7 – *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of March 31, 2012 as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 308,094	$ –	$ –	$ 308,094

Financial Risk

(i) Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum credit risk is primarily attributable to its cash. The Company limits its exposure to credit loss for cash by placing such instruments with high credit quality financial institutions.

As at March 31, 2012, the Company's maximum exposure to credit risk is the carrying value of cash of $308,094.

(ii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at March 31, 2012, the Company had working capital of $229,966. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at March 31, 2012, the Company has adequate working capital to discharge its existing financial obligations.

(iii) Interest Rate Risk

In management's opinion, the Company's interest rate risk is minimal as the Company does not have any bank indebtedness or loans payable that bear interest at fixed or variable rates.

(iv) Foreign Currency Risk

The Company is exposed to currency fluctuations in the acquisition of foreign currencies. The Company holds balance in cash in foreign currencies (US dollars) and is therefore exposed to gains or losses on foreign exchange. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

(v) Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities.

12. SUBSEQUENT EVENTS

There were no subsequent events after March 31, 2012

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The accounting policies in Note 2 have been applied in preparing the interim condensed financial statements for the periods ended March 31, 2012 and 2011, and the opening IFRS statement of financial position on October 1, 2010 (the "Transition Date") and September 30, 2011.

In accordance with IFRS 1, estimates cannot be created or revised using hindsight. The estimates made by the company under Pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy.

In preparing the opening IFRS statement of financial position and the interim condensed financial statements for the period ended March 31, 2012, the Company has reviewed the amounts reported previously in financial statements that were prepared in accordance with Pre-changeover GAAP. An explanation of how the transition from Pre-changeover GAAP to IFRS has affected the Company's financial statements is set out in the following tables below.

The guidance for the first time adoption of IFRS is set out in IFRS 1 which provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to utilize the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 2 – *Share-Based Payment*, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and
- to apply the requirements of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*, as at the Transition Date. The Company re-measured all provisions, and estimated the amount to be included in the cost of the related asset by discounted the liability to the date at which the liability first arose. This was done using best estimates of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation, depletion, and amortization under IFRS up to the transition date.

Upon transition to IFRS, the Company as permitted by the IASB framework chooses to expense Exploration and Evaluation Assets; previously capitalized under Canadian GAAP. The change of accounting policy has been applied retroactively. It is management's view that this policy results in information that is more relevant and reliable to users of the financial statements. The Company continues to capitalize direct cost and leases.

(Unaudited - Expressed in Canadian Dollars)

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Statement of Financial Position
As at September 30, 2011

	Note	Canadian GAAP	Transition Adjustments	IFRS
ASSETS				
Current				
Cash		$ 203,709	$ -	$ 203,709
Amounts receivable		22,831	-	22,831
Prepaid expenses and other assets		45,105	-	45,105
		271,645	-	271,645
Non-current				
Exploration and evaluation assets	a	284,566	(256,290)	28,276
Deposit on exploration and evaluation assets		200,000	-	200,000
		$ 756,211	$ (256,290)	$ 499,921
LIABILITIES				
Accounts payable and accrued liabilities		$ 38,489	$ -	$ 38,489
		38,489	-	38,489
SHAREHOLDERS' EQUITY				
Share capital		1,039,613	-	1,039,613
Share-based payment reserves		273,545	-	273,545
Accumulated deficit		(595,436)	(256,290)	(851,726)
		717,722	(256,290)	461,432
		$ 756,211	$ (256,290)	$ 499,921

(Unaudited - Expressed in Canadian Dollars)

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Statement of Comprehensive Loss
Three Months Ended March 31, 2011

	Note	Canadian GAAP	Transition Adjustments	IFRS
EXPENSES				
Exploration	a	$ 6,020	$ 2,400	$ 8,420
Foreign exchange loss (gain)		(139)	-	(139)
Interest and bank charges		88	-	88
Management fees		10,000	-	10,000
Office, administration and miscellaneous		6,443	-	6,443
Professional fees		7,208	-	7,208
Regulatory and transfer agent fees		11,306	-	11,306
Rent		6,000	-	6,000
Share-based payments		33,216	-	33,216
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		(80,142)	(2,400)	(82,542)

Statement of Comprehensive Loss
Six Months Ended March 31, 2011

	Note	Canadian GAAP	Transition Adjustments	IFRS
EXPENSES				
Advertising and promotion		$ 631	$ -	$ 631
Exploration	a	6,020	4,744	10,764
Interest and bank charges		146	-	146
Management fees		10,000	-	10,000
Office, administration and miscellaneous		13,343	-	13,343
Professional fees		14,301	-	14,301
Regulatory and transfer agent fees		14,494	-	14,494
Rent		12,000	-	12,000
Share-based payments		66,429	-	66,429
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		(137,364)	(4,744)	(142,108)

(Unaudited - Expressed in Canadian Dollars)

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Statement of Cash Flows
Three Months Ended March 31, 2011

	Note	Canadian GAAP	Transition Adjustment	IFRS
OPERATING ACTIVITIES				
Loss for the period		$ (80,142)	$ (2,400)	$ (82,542)
Items not involving cash				
Share-based payments		33,216	-	33,216
		(46,926)	(2,400)	(49,326)
Change in non-cash working capital items:				
Amounts receivable		2,198	-	2,198
Accounts payable and accrued liabilities		10,356	-	10,356
Due to related party		13,875	-	13,875
Cash used in operating activities		(20,497)	(2,400)	(22,897)
INVESTING ACTIVITIES				
Exploration and evaluation costs	a	(2,400)	2,400	-
Cash used in investing activities		(2,400)	2,400	-
CHANGE IN CASH DURING THE PERIOD		(22,897)	-	(22,897)
CASH, BEGINNING OF PERIOD		328,707	-	328,707
CASH, END OF PERIOD		$ 305,810	$ -	$ 305,810

(Unaudited - Expressed in Canadian Dollars)

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Statement of Cash Flows
Six Months Ended March 31, 2011

	Note	Canadian GAAP	Transition Adjustment	IFRS
OPERATING ACTIVITIES				
Loss for the period		$ (137,364)	$ (4,744)	$ (142,108)
Items not involving cash				
Share-based payments		66,429	-	66,429
		(70,935)	(4,744)	(75,679)
Change in non-cash working capital items:				
Amounts receivable		3,134	-	3,134
Accounts payable and accrued liabilities		1,356	-	1,356
Due to related party		27,750	-	27,750
Cash used in operating activities		(38,695)	(4,744)	(43,439)
INVESTING ACTIVITIES				
Exploration and evaluation costs	a	(10,696)	4,744	(5,952)
Cash used in investing activities		(10,696)	4,744	(5,952)
CHANGE IN CASH DURING THE PERIOD		(49,391)	-	(49,391)
CASH, BEGINNING OF PERIOD		355,201	-	355,201
CASH, END OF PERIOD		$ 305,810	$ -	$ 305,810

Note to the IFRS reconciliation is as follows:

a) In accordance with IFRS 6, the Company has elected to expense all exploration costs incurred prior to the determination of the commercial viability of its exploration and evaluation assets. These amounts were previously capitalized under Canadian GAAP and have been re-classified to deficit in the periods presented. The total amount re-classified was $256,290 at September 30, 2011.