Starrex Mining Corporation Limited

Condensed Interim Financial Statements

Nine Months Ended September 30, 2011

(Unaudited)

Management's Responsibility for Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Starrex Mining Corporation Limited (the "Company" or "Starrex") are the responsibility of the Board of Directors.

The unaudited condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the end of the reporting period. In the opinion of management, the condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim 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 condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

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

(Signed): “S. Donald Moore”

(Signed): “J. A. Murphy”

Toronto, Canada
November 29, 2011

NOTICE TO READER

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements as at and for the three months ended September 30, 2011 have not been reviewed by the Company's auditors.

Starrex Mining Corporation Limited
Condensed Interim Statements of Financial Position
(Unaudited)

	As at September 30, 2011	As at December 31, 2010 (note 10)	As at January 1, 2010 (note 10)
ASSETS			
Current assets			
Cash and cash equivalents	**$ 844,613**	$ 899,680	$ 966,346
Other receivables	**6,816**	3,241	3,183
	851,429	902,921	969,529
Equipment (note 3)	**103**	122	152
Total assets	**$ 851,532**	$ 903,043	$ 969,681
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (note 4)	**$ 35,975**	$ 31,004	$ 27,944
Loan payable to related party (note 4)	**234,826**	234,826	234,826
	270,801	265,830	262,770
Capital and reserves			
Share capital (note 5)	**1,203,723**	1,203,723	1,203,723
Share-based payment reserve	**15,524**	15,524	13,997
Deficit	**(638,516)**	(582,034)	(510,809)
Total equity	**580,731**	637,213	706,911
Total equity and liabilities	**$ 851,532**	$ 903,043	$ 969,681

The notes to the condensed interim financial statements are an integral part of these statements.

Starrex Mining Corporation Limited
Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010 (note 10)
Income				
Investment income	**$ 1,721**	$ 1,588	**$ 5,109**	$ 2,936
Expenses				
Administrative (note 4)	**25,336**	20,834	**61,573**	58,564
Stock-based compensation	**-**	382	**-**	1,145
Amortization	**7**	8	**18**	23
	25,343	21,224	**61,591**	59,732
Net loss and comprehensive loss for the period	**$ (23,622)**	$ (19,636)	**$ (56,482)**	$ (56,796)
Basic and diluted net loss per share (note 7)	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.02)
Weighted average number of common shares outstanding	**3,429,566**	3,429,566	**3,429,566**	3,429,566

The notes to the condensed interim financial statements are an integral part of these statements.

Starrex Mining Corporation Limited
Condensed Interim Statements of Cash Flows
(Unaudited)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010 (note 10)
Operating activities				
Net loss for the period	**$ (23,622)**	$ (19,636)	**$ (56,482)**	$ (56,796)
Items not affecting cash:				
Amortization	**7**	8	**18**	24
Stock-based compensation	**-**	382	**-**	1,145
	(23,615)	(19,246)	**(56,464)**	(55,627)
Other sources (uses) of cash from operations:				
Other receivables	**41**	2,444	**(3,575)**	426
Prepaid expenses	**-**	1,250	**-**	-
Accounts payable and accrued liabilities	**7,154**	9,858	**4,971**	5,693
	7,195	13,552	**1,396**	6,119
Decrease in cash and cash equivalents	**(16,420)**	(5,694)	**(55,068)**	(49,508)
Cash and cash equivalents, beginning of period	**861,033**	922,532	**899,680**	966,346
Cash and cash equivalents, end of period	**$ 844,613**	$ 916,838	**$ 844,613**	$ 916,838
Supplemental disclosure of cash flow information:				
Interest received	**$ 1,721**	$ 1,588	**$ 5,109**	$ 2,936

The notes to the condensed interim financial statements are an integral part of these statements.

Starrex Mining Corporation Limited
Condensed Interim Statements of Changes in Equity
(Unaudited)

	Share capital	Share-based payment reserve	Deficit	Total
Balance, January 1, 2010	**$ 1,203,723**	**$ 13,997**	**$ (510,809)**	**$ 706,911**
Vesting of stock options	-	1,145	-	1,145
Net loss and comprehensive loss for the period	-	-	(56,796)	(56,796)
Balance, September 30, 2010	**$ 1,203,723**	**$ 15,142**	**$ (567,605)**	**$ 651,260**
Vesting of stock options	-	382	-	382
Net loss and comprehensive loss for the period	-	-	(14,429)	(14,429)
Balance, December 31, 2010	**$ 1,203,723**	**$ 15,524**	**$ (582,034)**	**$ 637,213**
Net loss and comprehensive loss for the period	-	-	(56,482)	(56,482)
Balance, September 30, 2011	**$ 1,203,723**	**$ 15,524**	**$ (638,516)**	**$ 580,731**

The notes to the unaudited condensed interim financial statements are an integral part of these statements.

1. Business of the Company

Starrex Mining Corporation Limited ("the Company") is a Canadian company focusing on the review and evaluation of diverse business proposals in the resource and industrial sectors. The Company has been inactive for several years.

The unaudited condensed interim financial statements were approved by the Board of Directors on November 28, 2011.

2. Significant accounting policies

(a) Statement of Compliance and Conversion to International Financial Reporting Standards ("IFRS")

The Company has prepared these interim condensed financial statements in accordance with IAS 34, *Interim Financial Reporting*, using the accounting policies it expects to adopt in its December 31, 2011 financial statements, based on the IFRS standards and interpretations it expects to apply at that time. The Company has applied the policies set out below consistently to all the periods presented unless otherwise noted below. These interim condensed financial statements reflect all normal and recurring adjustments necessary, in management's opinion, to fairly present the interim periods included. The quarterly results are not indicative of results to be expected for the entire year.

The Company has applied IFRS with effect from January 1, 2010, the transition date, in accordance with the transitional provisions set out in IFRS 1, *First-time Adoption of International Financial Reporting Standards*. IFRS 1 requires that a first time adopter retrospectively apply all IFRS standards effective at the end of its first IFRS reporting period. However, it also sets out certain optional exemptions and certain mandatory exceptions to this principle. Note 10 describe the items relevant to the Company's reporting and the overall impact of adopting IFRS.

The accounting policies set out below have been applied consistently to all periods presented in preparing the opening statement of financial position at January 1, 2010 (note 10) for purposes of transition to IFRS. The accounting policies have been applied consistently by the Company.

The condensed interim financial statements should be read in conjunction with the Company's Canadian generally accepted accounting principles *("Canadian GAAP")* annual financial statements for the year ended December 31, 2010. Note 10 disclose IFRS information for the year ended December 31, 2010 that is material to the understanding of these interim condensed financial statements. Because these are the Company's first financial statements prepared using IFRS, they include certain disclosures that were not included in those most recent Canadian GAAP annual financial statements, which are required to be included in annual financial statements prepared in accordance with IFRS.

(b) Basis of presentation

These condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim 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 the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2(l).

2. Significant accounting policies (continued)

(c) Financial assets

The Company's financial instruments are comprised of the following:

Financial assets:	Classification:
Cash and cash equivalents	Held-for-trading
Other receivables	Loans and receivables

Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities
Loan payable to related party	Other financial liabilities

Loans and receivables:

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

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are 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 and any transaction costs 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) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2. Significant accounting policies (continued)

(c) Financial assets (continued)

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the condensed interim statement of financial position are classified using 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 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of September 30, 2011, December 31, 2010 and January 1, 2010 cash and cash equivalents are measured at fair value and as such are classified within Level 1 of the fair value hierarchy.

(d) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use.

The Company has assessed the assets of all its operating entities and has determined that there is no impairment of its non-financial assets.

(e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and bankers' acceptance notes which are available on demand by the Company for its programs, and are not invested in any asset-backed deposits/investments.

(f) Equipment

Office equipment is recorded at cost and amortized over its estimated useful life on the declining-balance basis at an annual rate of 20%. The Company reviews the estimated useful lives, residual values and depreciation method at the end of each reporting period, accounting for the effect of any changes in estimate on a prospective basis.

(g) Revenue recognition

Revenue consists of interest income from investments which is recognized on an accrual basis as earned.

2. Significant accounting policies (continued)

(h) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at September 30, 2011, December 31, 2010 and January 1, 2010.

(i) Share based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each financial reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(j) Income taxes

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 period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability 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 following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in 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.

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. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

2. Significant accounting policies (continued)

(k) 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 is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(l) Significant accounting judgments and estimates

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable and prepayments which are included in the condensed interim statements of financial position;
- the estimated useful life of equipment which is included in the condensed interim statements of financial position;
- the inputs used in accounting for share based payment transactions in profit or loss;
- Management's position that there is no income tax consideration required within these condensed interim financial statements.

Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

2. Significant accounting policies (continued)

Future accounting changes

IFRS 9, *Financial Instruments: Classification and Measurement*, issued in December 2009, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013 and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 10, 11, 12 and 13 were all issued in May 2010 and are effective for annual periods beginning January 1, 2013, with early adoption allowed. The Company has not yet considered the potential impact of the adoption of these standards.

IFRS 10, *Consolidated Financial Statements,* replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements,* and SIC-12, *Consolidation — Special Purpose Entities,* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 11, *Joint Arrangements,* introduces new accounting requirements for joint arrangements, replacing IAS 31, *Interests in Joint Ventures*. It eliminates the option of accounting for jointly controlled entities by proportionate consolidation.

IFRS 12, *Disclosure of Interests in Other Entities,* requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

IFRS 13, *Fair Value Measurement,* replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

3. Equipment

Cost

		Equipment
Balance, January 1, 2010, December 31, 2010 and September 30, 2011	$	13,124

Accumulated depreciation

		Equipment
Balance, January 1, 2010	$	12,972
Depreciation for the period		30
Balance, December 31, 2010		13,002
Depreciation for the period		19
Balance, September 30, 2011	$	13,021

Carrying amounts

		Equipment
At January 1, 2010	$	152
At December 31, 2010	$	122
At September 30, 2011	$	103

4. Related party transactions

The Company incurred expenses of $11,250 in 2011 (September 30, 2010 - $11,250) with Secorp Limited, a corporation controlled by a director and officer of the Company, for accounting, administrative and secretarial services rendered. These expenses are included in administrative expenses. As September 30, 2011, the amount of $11,250 (December 31, 2010 -$15,000) was payable by the Company. The amount due is unsecured, non-interest bearing, has no fixed terms of repayment, and is due on demand.

The Company incurred expenses of $11,250 in management fees in 2011 (September 30, 2010 - $11,250) to the President for services provided to the Company. These are included in administrative expenses. At September 30, 2011, the amount of $11,250 (December 31, 2010 - $Nil) was payable by the Company. The amount due is unsecured, non-interest bearing, has no fixed terms of repayment, and is due on demand.

Included in loan payable to related party are advances of $234,826 in 2011 (December 31, 2010 - $234,826) from Talent Oil and Gas Limited, a corporation controlled by a director and officer of the Company. These advances are unsecured, non-interest bearing, have no fixed terms of repayment and are due on demand.

The related party transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

5. Share capital

a) Authorized share capital

At September 30, 2011, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

At September 30, 2011, the issued share capital amounted to $1,203,723. The change in issued share capital for the periods was as follows:

	Number of common shares	Amount
Balance, January 1, 2010, December 31, 2010 and September 30, 2011	3,429,566	$ 1,203,723

6. Stock options

The Company has a Stock Option Plan (the "Plan") that enables its directors, officers, employees, consultants and advisors to acquire common shares of the Company. Options are granted at the discretion of the Board of Directors. Under the terms of the Plan, options totalling up to 10% of the common shares outstanding from time to time are issuable. The vesting period and expiration period are fixed at the time of grant at the discretion of the Board of Directors.

The Company records a charge to profit and loss using the Black-Scholes fair valuation option pricing model. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to the historic traded daily closing share price at the date of issue.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

The following table reflects the continuity of stock options for the period ended September 30, 2011:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2010	80,000	0.50
Balance, September 30, 2011	80,000	0.50

The following table reflects the actual stock options issued and outstanding as of September 30, 2011:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)	Number of Options Unvested
October 10, 2012	0.50	1.03	80,000	80,000	-

7. Net loss per common share

The calculation of basic and diluted loss per share for the three and nine month periods ended September 30, 2011 were based on the loss attributable to common shareholders of $23,622 and $56,482 respectively (September 30, 2010 - $19,636 and $56,796) and the weighted average number of common shares outstanding of 3,429,566 for each period (September 30, 2010 – 3,429,566). Due to the net loss for the three and nine month periods ended September 30, 2011 and September 30, 2010, the stock options were excluded from the calculation of weighted average number of diluted common shares outstanding because their effect would have been anti-dilutive.

8. Capital disclosures

The Company's objective when managing capital is to provide a return for shareholders and benefits for other shareholders and to ensure sufficient resources are available to meet day to day operating requirements.

The Company considers the items included in capital and reserves as capital. The Company manages its capital structure and makes adjustments to it, in order to have funds available to support its corporate activities.

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

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the three months ended September 30, 2011.

9. Financial risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks:

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

(ii) Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. At September 30, 2011, the Company had $844,613 in cash and cash equivalents (December 31, 2010 - $899,680) available to settle accounts payable and accrued liabilities of $35,975 (December 31, 2010 - $31,004).

(iii) Market risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash and cash equivalents are relatively unaffected by changes in short-term interest rates.

10. Conversion to IFRS

(i) Overview

As stated in note 2, these are the Company's first unaudited condensed interim financial statements prepared in accordance with IAS 34, using accounting policies consistent with IFRS.

The accounting policies described in note 2 have been applied in preparing the condensed interim financial statements for the nine months ended September 30, 2011, the comparative information for the nine months ended September 30, 2010, the financial statements for the year ended December 31, 2010 and the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

(ii) First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's "Transition Date".

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company's Transition Date IFRS unaudited statement of financial position is included as comparative information in the unaudited condensed interim statements of financial position in these financial statements.

(iii) Changes to accounting policies

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective on December 31, 2011, the Company's first annual IFRS reporting date. Other than the accounting for share-based payments as described below, the changes have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

(a) Impairment of (non-financial) assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the unaudited condensed interim financial statements.

10. Conversion to IFRS (continued)

(iii) Changes to accounting policies (continued)

(b) Share-based payments

Under Canadian GAAP, the Company recognized option expense on a straight line basis as permitted by Canadian GAAP.

IFRS 2 requires graded vesting awards to be accounted for by treating each instalment as a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis.

For the unvested options issued and outstanding as of and after the transition date an adjustment was calculated.

(iv) Reconciliation between IFRS and Canadian GAAP

The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	January 1, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets			
Cash and cash equivalents	$ 966,346	$ -	**$ 966,346**
Other receivables	3,183	-	**3,183**
	969,529	-	**969,529**
Equipment	152	-	**152**
	$ 969,681	$ -	**$ 969,681**
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 27,944	$ -	**$ 27,944**
Loan payable to related party	234,826	-	**234,826**
	262,770	-	**262,770**
Capital and reserves			
Share capital	1,203,723	-	**1,203,723**
Share-based payment reserve (note 10(iii)(b))	11,629	2,368	**13,997**
Deficit (note 10(iii)(b))	(508,441)	(2,368)	**(510,809)**
Total equity	706,911	-	**706,911**
Total equity and liabilities	$ 969,681	$ -	**$ 969,681**

10. Conversion to IFRS (continued)

(iv) Reconciliation between IFRS and Canadian GAAP (continued)

The September 30, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	September 30, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets			
Cash and cash equivalents	$ 916,838	$ -	**$ 919,838**
Other receivables	2,757	-	**2,757**
	919,595	-	**919,595**
Equipment	128	-	**128**
	$ 919,723	$ -	**$ 919,723**
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 33,637	$ -	**$ 33,637**
Loan payable to related party	234,826	-	**234,826**
	268,463	-	**268,463**
Capital and reserves			
Share capital	1,203,723	-	**1,203,723**
Share-based payment reserve (note 10(iii)(b))	14,669	475	**15,144**
Deficit (note 10(iii)(b))	(567,132)	(475)	**(527,607)**
Total equity	651,260	-	**651,260**
Total equity and liabilities	$ 919,723	$ -	**$ 919,723**

10. Conversion to IFRS (continued)

(iv) Reconciliation between IFRS and Canadian GAAP (continued)

The December 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
ASSETS			
Current assets			
Cash and cash equivalents	$ 899,680	$ -	**$ 899,680**
Other receivables	3,241	-	**3,241**
	902,921	-	**902,921**
Equipment	122	-	**122**
	$ 903,043	$ -	**$ 903,043**
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 31,004	$ -	**$ 31,004**
Loan payable to related party	234,826	-	**234,826**
	265,830	-	**265,830**
Capital and reserves			
Share capital	1,203,723	-	**1,203,723**
Share-based payment reserve (note 10(iii)(b))	15,682	(158)	**15,524**
Deficit (note 10(iii)(b))	(582,192)	158	**(582,034)**
Total equity	637,213	-	**637,213**
Total equity and liabilities	$ 903,043	$ -	**$ 903,043**

10. Conversion to IFRS (continued)

(iv) Reconciliation between IFRS and Canadian GAAP (continued)

The Canadian GAAP statement of loss and comprehensive loss for the three month period ended September 30, 2010 has been reconciled to IFRS as follows:

	Three months ended September 30, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
Income			
Investment income	$ 1,588	$ -	**$ 1,588**
Expenses			
Administrative	20,834	-	**20,834**
Stock-based compensation	1,013	(631)	**382**
Amortization	8	-	**8**
	21,855	(631)	**21,224**
Net loss and comprehensive loss for the period	$ (20,267)	$ 631	**$ (19,636)**

The Canadian GAAP statement of loss and comprehensive loss for the nine month period ended September 30, 2010 has been reconciled to IFRS as follows:

	Nine months ended September 30, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
Income			
Investment income	$ 2,936	$ -	**$ 2,936**
Expenses			
Administrative	58,564	-	**58,564**
Stock-based compensation	3,040	(1,895)	**1,145**
Amortization	23	-	**23**
	61,627	(1,895)	**59,732**
Net loss and comprehensive loss for the period	$ (58,691)	$ 1,895	**$ (56,796)**

10. Conversion to IFRS (continued)

(iv) Reconciliation between IFRS and Canadian GAAP (continued)

The Canadian GAAP statement of loss and comprehensive loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Year ended December 31, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
Income			
Investment income	$ 4,559	$ -	**$ 4,559**
Expenses			
Administrative	74,227	-	**74,227**
Stock-based compensation	4,053	(2,526)	**1,527**
Amortization	30	-	**30**
	78,310	(2,526)	**75,784**
Net loss and comprehensive loss for the period	$ (73,751)	$ 2,526	**$ (71,225)**

The Canadian GAAP statement of cash flows for the three months ended September 30, 2010 has been reconciled to IFRS as follows:

	Three months ended September 30, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
Net loss for the period	$ (20,267)	$ 631 [1]	**$ (19,636)**
Items not affecting cash:			
Amortization	8	-	**8**
Stock-based compensation	1,013	(631)	**382**
	(19,246)	-	**(19,246)**
Other sources (uses) of cash from operations:			
Other receivables	2,444	-	**2,444**
Prepaid expenses	1,250	-	**1,250**
Accounts payable and accrued liabilities	9,858	-	**9,858**
	13,522	-	**13,522**
Decrease in cash and cash equivalents	(5,694)	-	**(5,694)**
Cash and cash equivalents, beginning of period	922,532	-	**922,532**
Cash and cash equivalents, end of period	$ 916,838	$ -	**$ 916,838**

[1] Refer to Canadian GAAP statement of interim comprehensive loss for the three month period ended September 30, 2010 reconciled to IFRS in note 10(iv) above.

10. Conversion to IFRS (continued)

(iv) Reconciliation between IFRS and Canadian GAAP (continued)

The Canadian GAAP statement of cash flows for the nine months ended September 30, 2010 has been reconciled to IFRS as follows:

	Nine months ended September 30, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Net loss for the period	$ (58,691)	$ 1,895 [1]	**$ (56,796)**
Items not affecting cash:			
Amortization	24	-	**24**
Stock-based compensation	3,040	(1,895)	**1,145**
	(55,627)	-	**(55,627)**
Other sources (uses) of cash from operations:			
Other receivables	426	-	**426**
Accounts payable and accrued liabilities	5,693	-	**5,693**
	6,119	-	**6,119**
Decrease in cash and cash equivalents	(49,508)	-	**(49,508)**
Cash and cash equivalents, beginning of period	966,346	-	**966,346**
Cash and cash equivalents, end of period	$ 916,838	$ -	**$ 916,838**

[1] Refer to Canadian GAAP statement of interim comprehensive loss for the nine month period ended September 30, 2010 reconciled to IFRS in note 10(iv) above.

The Canadian GAAP statement of cash flows for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Year ended December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Net loss for the period	$ (73,751)	$ 2,526 [1]	**$ (71,225)**
Items not affecting cash:			
Amortization	30	-	**30**
Stock-based compensation	4,053	(2,526)	**1,527**
	(69,668)	-	**(69,668)**
Other sources (uses) of cash from operations			
Other receivables	(58)	-	**(58)**
Accounts payable and accrued liabilities	3,060	-	**3,060**
	3,002	-	**3,002**
Decrease in cash and cash equivalents	(66,666)	-	**(66,666)**
Cash and cash equivalents, beginning of year	966,346	-	**966,346**
Cash and cash equivalents, end of year	$ 899,680	$ -	**$ 899,680**

[1] Refer to Canadian GAAP statement of interim comprehensive loss for the year ended December 31, 2010 reconciled to IFRS in note 10(iv) above.