

AFRASIA MINERAL FIELDS INC.

Condensed Interim Financial Statements

Three months ended August 31, 2012 and 2011

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

AFRASIA MINERAL FIELDS INC.

Index

Page

Notice of no Auditor Review

3

Financial Statements

Statements of Financial Position

4

Statements of Changes in Equity

5

Statements of Comprehensive Loss

6

Statements of Cash Flows

7

Notes to the Financial Statements

8-16

AFRASIA MINERAL FIELDS INC.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed 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 condensed 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 condensed interim 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.

October 29, 2012

AFRASIA MINERAL FIELDS INC.

Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars – Unaudited)

	Note	August 31, 2012	May 31, 2012
Assets			
Current assets			
Cash and cash equivalents	3	\$ 86,508	\$ 104,211
Receivables	4	10,114	9,348
		96,622	113,559
Property and equipment	5	4,177	4,568
		\$ 100,799	\$ 118,127
Liabilities and Shareholders' Equity			
Current liabilities			
Trade payables and accrued liabilities	6	\$ 16,568	\$ 16,327
Due to related parties	8	54,880	43,120
		71,448	59,447
Shareholders' Equity			
Share capital	7	8,349,105	8,349,105
Reserves	7	204,669	204,669
Deficit		(8,524,423)	(8,495,094)
		29,351	58,680
		\$ 100,799	\$ 118,127

The accompanying notes form an integral part of these condensed interim financial statements.

AFRASIA MINERAL FIELDS INC.

Statements of Changes in Equity (Expressed in Canadian Dollars)

	Share Capital		Reserves	Deficit	Total Equity
	Number of Shares	Amount			
Balance, May 31, 2011	20,026,663	\$ 8,349,105	\$ 204,669	\$ (8,335,310)	\$ 218,464
Net loss for the period	–	–	–	(50,926)	(50,926)
Balance, August 31, 2011	20,026,663	8,349,105	204,669	(8,386,236)	167,538
Net loss for the period	–	–	–	(108,858)	(108,858)
Balance, May 31, 2012	20,026,663	8,349,105	204,669	(8,495,094)	\$ 58,680
Net loss for the period	–	–	–	(29,329)	(29,329)
Balance, August 31, 2012	20,026,663	\$ 8,349,105	\$ 204,669	\$ (8,524,423)	\$ 29,351

The accompanying notes form an integral part of these condensed interim financial statements.

AFRASIA MINERAL FIELDS INC.

Condensed Interim Statement of Comprehensive Loss (Expressed in Canadian Dollars – Unaudited)

		Three months ended August 31,	
	Note	2012	2011
Expenses:			
Amortization	5	\$ 391	\$ 144
Consulting fees		–	10,688
Management fees	8	7,500	7,500
Office and administration	8	10,886	12,561
Professional fees		518	328
Regulatory and transfer agent fees		1,798	1,334
Rent		6,927	4,743
Travel and promotion		–	12,764
Wages and benefits		1,524	1,412
Net loss for the period		(29,544)	(51,474)
Interest income		215	548
Net and comprehensive loss		\$ (29,329)	\$ (50,926)
Loss per common share			
Basic and diluted		\$ (0.002)	\$ (0.003)
Weighted average number of common shares outstanding		20,026,663	20,026,663

The accompanying notes form an integral part of these condensed interim financial statements.

AFRASIA MINERAL FIELDS INC.

Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars – Unaudited)

	Three months ended August 31,	
	2012	2011
Cash provided by (used in):		
Operations:		
Net loss for the period	\$ (29,329)	\$ (50,926)
Items not involving cash:		
Amortization	391	144
Changes in non-cash operating working capital items:		
Receivables	(766)	(845)
Prepaid expenses	-	(4,551)
Trade payables and accrued liabilities	241	12,989
Due to related parties	11,760	16,318
	(17,703)	(26,871)
Investing:		
Acquisition of property and equipment	-	(3,859)
	-	(3,859)
Increase (decrease) in cash and cash equivalents	(17,703)	(30,730)
Cash and cash equivalents, beginning	104,211	227,806
Cash and cash equivalents, ending	\$ 86,508	\$ 197,076
Supplemental cash flow information:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

The accompanying notes form an integral part of these condensed interim financial statements.

AFRASIA MINERAL FIELDS INC.

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

August 31, 2012

1. NATURE AND CONTINUANCE OF OPERATIONS

Afrasia Mineral Fields Inc. (the “Company”) was incorporated on June 24, 1986 under the laws of British Columbia. The Company was listed on the TSX Venture Exchange (“TSX-V”) under the symbol “AFS” and on September 29, 2008 the Company’s listing was transferred from the TSX-V to the NEX board of the TSX-V. Effectively, the trading symbol for the Company changed from “AFS” to AFS.H”.

The Company’s head office, principal address and records office is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered office is Suite 700-595 Burrard St., PO Box 49290, Vancouver, BC V7X 1S8.

The Company is continuing to identify, evaluate and negotiate business opportunities in the resource industry.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. To date, the Company has not generated any significant revenues and has not raised funds in the last twelve months. The Company has an accumulated deficit of \$8,524,423, including a loss for the three months ended August 31, 2012 of \$29,329 (2011 - \$50,926). These uncertainties may cast significant doubt upon the company’s ability to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability and classification of asset and liabilities which might be necessary should the Company be unable to continue in existence.

The Company has never paid dividends.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim financial statements were authorized for issue on October 29, 2012 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards (“IFRS”)

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”). Therefore, these interim financial statements comply with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”.

AFRASIA MINERAL FIELDS INC.

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

August 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, 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:

- i) The Black-Scholes stock price valuation model used to value warrants and stock options requires the input of highly subjective assumptions regarding stock price volatility, the expected lives of warrants and stock options and expected forfeitures.
- ii) The recognition of deferred tax assets and liabilities.
- iii) The recoverability of receivables and prepayments those are included in the statements of financial position.
- iv) The estimated useful lives of equipment which are included in the statements of financial position and the related depreciation included in the statements of operations and comprehensive loss.

Judgments made by the management in the application of IFRS that have a significant effect on the financial statements and estimates with significant risk of material adjustment in the current and the following years are discussed in Note 2 of the audited financial statements for the year ended May 31, 2012.

Summary of significant accounting policies

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited financial statements for the year ended May 31, 2012.

These condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the Company's audited annual financial statements for the year ended May 31, 2012.

AFRASIA MINERAL FIELDS INC.

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

August 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

New accounting standards and interpretations

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)

Effective June 1, 2012, the Company adopted the amendments to IAS 12. The amendments concerned the determination of deferred tax on investment property measured at fair value. Because the Company has no investment property, the adoption of these amendments did not impact the financial results or disclosures.

Separate Financial Statements (IAS 27)

Effective June 1, 2012, the Company adopted the amendments to IAS 27. The standard prescribes accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates when an entity prepares separate financial statements. Because currently the Company has no investments in subsidiaries, joint ventures or associates, the adoption of this standard did not impact the financial results or disclosures.

Standards and interpretations issued but not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not effective during the current fiscal year:

- *IFRS 9* New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2015;
- *IFRS 10* New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities, effective for annual periods beginning on or after January 1, 2013;
- *IFRS 11* New standard to account for the rights and obligations in accordance with a joint agreement, effective for annual periods beginning on or after January 1, 2013;
- *IFRS 12* New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39, effective for annual periods beginning on or after January 1, 2013;
- *IFRS 13* New standard on the measurement and disclosure of fair value, effective for annual periods beginning on or after January 1, 2013;
- *IAS 1* (Amendment) Presentation of other comprehensive income, effective for annual periods beginning on or after January 1, 2013;
- *IAS 28* (Amendment) New standard issued that supersedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures, effective for annual periods beginning on or after January 1, 2013; and

AFRASIA MINERAL FIELDS INC.

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

August 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Standards and interpretations issued but not yet effective (cont'd)

- IAS 32 Amendment to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014.

The impact of the initial adoption of the standards listed above is not known or reasonably estimable at the time of authorization of these condensed interim financial statements.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of:

	August 31, 2012	May 31, 2012
Bank deposits	\$ 7,008	\$ 4,211
Guaranteed investment certificate	79,500	100,000
	\$ 86,508	\$ 104,211

Cash equivalents consists of a highly liquid Canadian dollar denominated guaranteed investment certificate ("GIC"), with a term to maturity at the point of purchase greater than 90 days, but not more than 1 year. The GIC earns a variable annual interest of approximately 0.95%, allowed for early redemption after the first 30 days of investment and matures on December 6, 2012. The counter-party is a financial institution.

As at August 31, 2012, the Company accrued \$553 (May 31, 2012 - \$456) in interest receivable on the GIC. This amount is included in receivables (Note 4).

4. RECEIVABLES

	August 31, 2012	May 31, 2012
Harmonized Sales Tax credits	\$ 9,561	\$ 8,492
Interest accrued on GIC (Note 3)	553	456
Other receivables (Note 8(c))	–	400
	\$ 10,114	\$ 9,348

AFRASIA MINERAL FIELDS INC.

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

August 31, 2012

5. PROPERTY AND EQUIPMENT

	Computer	Equipment	Furniture	Leasehold improvements	Total
Cost:					
At May 31, 2011	\$ –	\$ 5,063	\$ 1,772	\$ 2,522	\$ 9,357
Acquisition	2,350	–	–	2,308	4,658
Disposal	–	–	–	(2,522)	(2,522)
At May 31, 2012 and August 31, 2012	2,350	5,063	1,772	2,308	11,493
Amortization:					
At May 31, 2011	–	4,497	1,354	2,522	8,373
Amortization	646	113	84	231	1,074
Eliminated on disposal	–	–	–	(2,522)	(2,522)
At May 31, 2012	646	4,610	1,438	231	6,925
Amortization	236	23	17	115	391
At August 31, 2012	882	4,633	1,455	346	7,316
Net book value:					
At May 31, 2012	\$ 1,704	\$ 453	\$ 334	\$ 2,077	\$ 4,568
At August 31, 2012	\$ 1,468	\$ 430	\$ 317	\$ 1,962	\$ 4,177

6. TRADE PAYABLES AND ACCRUED LIABILITIES

	August 31, 2012	May 31, 2012
Trade payables	\$ 440	\$ 199
Accrued liabilities	16,128	16,128
	\$ 16,568	\$ 16,327

7. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

AFRASIA MINERAL FIELDS INC.

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

August 31, 2012

7. SHARE CAPITAL (cont'd)

(b) Issued – common shares

There were no share issuances during the three months ended August 31, 2012 and the year ended May 31, 2012.

(c) Share options

The Company maintains a 10% rolling share option plan (the “Plan”) that enables management to grant options to directors, officers, employees and other service providers. The Company follows the Exchange policies where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options.

There were no options outstanding at August 31, 2012 and May 31, 2012.

A summary of the status of the options outstanding is as follows:

	August 31, 2012		May 31, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	–	\$ –	214,000	\$ 0.35
Expired	–	–	(214,000)	(0.35)
Options outstanding, end of period	–	\$ –	–	\$ –

(d) Warrants

There were no share purchase warrants outstanding at August 31, 2012 and May 31, 2012.

A summary of the status of warrants outstanding is as follows:

	August 31, 2012		May 31, 2011	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of period	–	\$ –	200,000	\$ 0.22
Expired	–	–	(200,000)	(0.22)
Warrants outstanding, end of period	–	\$ –	–	\$ –

AFRASIA MINERAL FIELDS INC.

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

August 31, 2012

8. RELATED PARTIES TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers. Key management personnel compensation comprised:

Three months ended August 31,	2012	2011
Administrative services (a)	\$ 9,000	\$ 9,000
Management services (a)	7,500	7,500
	\$ 16,500	\$ 16,500

(a) On February 1, 2009, the Company entered into a management and administrative agreement with Varshney Capital Corp. ("VCC"), a company controlled by two common directors, whereby the Company agreed to pay management and administrative fees of \$2,500 and \$3,000 per month, respectively.

During the three months ended August 31, 2012, the Company incurred \$7,500 (2011 – \$7,500) for management fees and \$9,000 (2011 – \$9,000) for administrative fees to VCC.

As at August 31, 2012, \$54,880 (May 31, 2012 - \$43,120) was due to VCC for management and administrative fees.

(b) As at August 31, 2012, a total of \$Nil (May 31, 2012 - \$400) was due from companies with directors and officers in common. The amounts outstanding at May 31, 2012 were collected during the period.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

At August 31, 2012 and May 31, 2012, the Company's financial instruments consist of cash and cash equivalents, receivables, trade payables and accrued liabilities and due to related parties. There were no transfers between levels during the three months ended August 31, 2012.

Cash and cash equivalents are carried at fair value using a Level 1 fair value measurement. The carrying value of receivables and trade payables and accrued liabilities approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

Financial risk management

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

AFRASIA MINERAL FIELDS INC.

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

August 31, 2012

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

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 on its cash and cash equivalents. As at August 31, 2012, the Company has cash on hand of \$7,008 and short-term investment of \$79,500. As a majority of the Company's cash is held by a Canadian bank, there is a concentration of credit risk with one bank in Canada. While there is concentration of risk holding all funds with one institution, this risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Management assesses credit risk of cash and short-term investment as low.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist of refundable government sales taxes of \$9,561 and interest accrued on the GIC of \$553.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates only in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account and the GIC earn interest income at variable rates and are subject to the movement in interest rates. Management considers the interest rate to be minimal.

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 reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed. As at August 31, 2012, the Company had cash and cash equivalents on hand of \$86,508, which is sufficient to cover its current liabilities of \$71,448. However, significant additional funding will be required to fund operations for the next 12 months and in the future. There is a risk of failure to raise adequate capital when needed.

10. CAPITAL DISCLOSURE

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

AFRASIA MINERAL FIELDS INC.

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

August 31, 2012

10. CAPITAL DISCLOSURE (cont'd)

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed.

There were no changes in the Company's approach to capital management during the period ended August 31, 2012. Management is continuing to identify, evaluate and negotiate business opportunities in the resource industry and actively targeting sources of additional financing. Although the Company has been successful in raising the funds in the past, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future. The Company is not subject to externally imposed capital requirements.