

AFRASIA MINERAL FIELDS INC.

Financial Statements

Six months ended November 30, 2010 and 2009

(Unaudited – Prepared by Management)

AFRASIA MINERAL FIELDS 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.

January 20, 2011

AFRASIA MINERAL FIELDS INC.

Balance Sheets

November 30, 2010 and May 31, 2010

(Unaudited – Prepared by Management)

	November 30, 2010 (unaudited)	May 31, 2010 (audited)
Assets		
Current assets:		
Cash	\$ 277,765	\$ 132,203
Receivables	13,035	6,893
Prepays	–	5,000
Advances receivable (Note 2)	–	591,561
	290,800	735,657
Property and equipment	1,107	1,440
	\$ 291,907	\$ 737,097
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 36,270	\$ 121,457
Due to related parties (Note 5)	–	1,264
Loans payable (Note 3)	–	152,000
	36,270	274,721
Shareholders' equity (deficit):		
Share capital (Note 4)	8,316,106	8,318,291
Share subscriptions (Note 4)	–	117,000
Contributed surplus (Note 4)	204,669	204,669
Deficit	(8,265,138)	(8,177,584)
	255,637	462,376
	\$ 291,907	\$ 737,097

Nature and continuance of operations (Note 1)

See accompanying notes to financial statements.

AFRASIA MINERAL FIELDS INC.

Statements of Loss, Comprehensive Loss and Deficit
For the six months ended November 30, 2010 and 2009

(Unaudited – Prepared by Management)

	Three months ended November 30,		Six months ended November 30,	
	2010	2009	2010	2009
Expenses:				
Amortization	\$ 166	\$ 182	\$ 333	\$ 365
Management fees	7,500	7,500	15,000	15,000
Office and administration	14,052	12,972	29,652	26,778
Professional fees	3,792	3,950	18,038	4,763
Promotion	531	2,559	4,270	4,811
Regulatory and transfer agent	4,489	4,648	6,783	6,533
Rent	6,097	6,331	11,119	11,643
Wages and benefits	1,179	1,600	2,359	3,177
Net loss and comprehensive loss	37,806	39,742	87,554	73,070
Deficit, beginning	8,227,332	7,902,447	8,177,584	7,869,119
Deficit, end	\$ 8,265,138	\$ 7,942,189	\$ 8,265,138	\$ 7,942,189
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	19,826,663	15,657,432	19,826,663	15,491,144

See accompanying notes to financial statements.

AFRASIA MINERAL FIELDS INC.

Statements of Cash Flows

For the six months ended November 30, 2010 and 2009

(Unaudited – Prepared by Management)

	Three months ended November 30,		Six months ended November 30,	
	2010	2009	2010	2009
Cash provided by (used in):				
Operations:				
Loss for the period	\$ (37,806)	\$ (39,742)	\$ (87,554)	\$ (73,070)
Items not involving cash:				
Amortization	166	182	333	365
Change in non-cash working capital:				
Receivables	(6,129)	636	(6,142)	(558)
Refundable deposit	-	(27,808)	-	(27,808)
Prepaid expenses	-	241	5,000	-
Accounts payable and accrued liabilities	(106,982)	(8,016)	(85,187)	(40,236)
Due to/from related parties	(20,595)	17,745	(1,264)	4,213
	(171,346)	(56,762)	(174,814)	(137,094)
Investing:				
Advances receivable (Note 2)	600,000	-	591,561	-
Loan payable (Note 3)	(152,000)	-	(152,000)	-
	448,000	-	439,561	-
Financing:				
Proceeds on share issuances, net of costs	-	107,500	(2,185)	107,500
Share subscriptions (Note 4)	-	-	(117,000)	62,250
	-	107,500	(119,185)	169,750
Change in cash	276,654	50,738	145,562	32,656
Cash, beginning of period	1,111	74,516	132,203	92,598
Cash, end of period	\$ 277,765	\$ 125,254	\$ 277,765	\$ 125,254

See accompanying notes to financial statements.

AFRASIA MINERAL FIELDS INC.

Notes to Financial Statements, page 1

For the six months ended November 30, 2010 and 2009

(Unaudited – Prepared by Management)

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".

Basis of presentation

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and note disclosures required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation have been included.

These interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited financial statements for the year ended May 31, 2010. For further information, refer to the Company's audited financial statements and notes thereto for the year ended May 31, 2010.

2. Advances receivable

On February 25, 2010, the Company entered into a Definitive Agreement (the "Agreement") to purchase 100% of the shares of 0830438 BC Ltd. (the "Seller"), a private company incorporated in BC. The Seller's wholly-owned US subsidiary owns the subsurface mining rights and is leasing those surface mining rights necessary to explore, rebuild and operate the Oracle Ridge Project located near Tucson, Arizona.

Pursuant to the terms of the Agreement, the Company agreed to issue 50,000,000 of its common shares to the shareholders of the Seller and advance to the Seller US\$300,000. A finder's fee of 1,500,000 common shares would also be payable in conjunction with the acquisition.

The transaction would constitute a reverse-takeover ("RTO") under the TSX-V policies and was subject to TSX-V and shareholders approval.

On August 12, 2010, the Company terminated the Agreement by mutual consent of the parties. As at August 12, 2010, the Company advanced a total of \$600,000 (May 31, 2010 - \$591,561) to the Seller, which consisted of acquisition costs and travel expenses related to the Oracle Ridge Project, as well as regulatory, legal and audit costs related to the Agreement. The Seller fully repaid the Company the advanced amounts upon termination of the Agreement.

AFRASIA MINERAL FIELDS INC.

Notes to Financial Statements, page 2

For the six months ended November 30, 2010 and 2009

(Unaudited – Prepared by Management)

3. Loans payable

During fiscal 2010, the Company arranged a short-term non-interest bearing promissory note for \$152,000. This loan was provided by a shareholder of the Company (Note 5) and was repayable five days after the earlier of the completion of the current private placement financing for a minimum of \$6,000,000 or the Company's announcement of not proceeding with the RTO (Note 2). Upon termination of the Agreement, the Company repaid the loan.

4. Share capital

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and fully paid

	Number of Shares	Share Capital	Contributed Surplus
Balance, May 31, 2010	19,826,663	\$ 8,318,291	\$ 204,669
Share issuance costs	–	(2,185)	–
Balance, November 30, 2010	19,826,663	\$ 8,316,106	\$ 204,669

During the period ended November 30, 2010, the Company:

- recorded \$2,185 in additional share issuance costs relating to a non-brokered private placement completed in fiscal 2010.
- refunded \$117,000 in share subscriptions received in connection to the non-brokered private placement at \$0.50 per unit, which was planned to be completed concurrent with the completion of the RTO that has been terminated during the period (Note 2).

(c) Stock options

The Company maintains a 10% rolling stock option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the TSX-V 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. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors. 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.

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Notes to Financial Statements, page 3

For the six months ended November 30, 2010 and 2009
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4. Share capital (continued)

(c) Stock options (continued)

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

Number of shares	Exercise Price	Expiry Date	Number Exercisable	Remaining Life (years)
134,000	\$ 0.32	February 20, 2011	134,000	0.23
214,000	\$ 0.35	April 4, 2012	214,000	1.34
348,000	\$ 0.34		348,000	0.91

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

	Number of shares	Weighted average exercise price	Weighted average remaining life (years)
Balance, May 31, 2010	573,000	\$ 0.36	0.71
Expired	(225,000)	0.39	–
Balance, November 30, 2010	348,000	\$ 0.34	0.91

(d) Warrants

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

	Number of Warrants	Weighted average exercise price	Weighted average remaining life (years)
Balance, May 31, 2010 and November 30, 2010	1,000,000	\$ 0.35	0.06

The warrants outstanding and exercisable as at November 30, 2010:

Number of Shares	Exercise Price	Expiry Date	Exercisable
1,000,000	\$ 0.35	December 22, 2010 ⁽¹⁾	1,000,000

⁽¹⁾ Expired unexercised subsequent to period-end

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Notes to Financial Statements, page 4

For the six months ended November 30, 2010 and 2009

(Unaudited – Prepared by Management)

5. Related party transactions

- (a) On February 1, 2009, the Company entered into an 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 period ended November 30, 2010, the Company paid or accrued \$15,000 (2009 – \$15,000) for management fees and \$18,000 (2009 – \$18,000) for administrative services.

- (b) The Company repaid in full \$1,264 that was due to a director of the Company as at May 31, 2010 for expense reimbursement.

- (c) The Company repaid in full a short-term loan of \$152,000 that was received in fiscal 2010 from a shareholder of the Company (Note 3).

These transactions were in the normal course of operations and were recorded at the exchange amount agreed to by the related parties and these balances are unsecured, non-interest bearing with no fixed terms of repayment.

6. Capital disclosure

The Company’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.

In order to achieve this objective, the Company makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company has no long-term debt and is not subject to externally imposed capital requirements.

7. Financial instruments

The fair value of the Company’s receivables, advances receivable, accounts payable and accrued liabilities, due to related parties and loans payable approximate carrying value which is the amount recorded on the balance sheet. The Company’s other financial instrument, cash, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities.

Financial Risk Management

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

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 bank account, which at November 30, 2010 was \$277,765. As all of the Company’s cash is held by a Canadian bank, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

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Notes to Financial Statements, page 5

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7. Financial instruments (continued)

The Company's secondary exposure to credit risk is on its receivables. The risk on receivables is minimal as it consists primarily of refundable government sales taxes.

Foreign Currency Risk

The Company was exposed to foreign currency risk on fluctuations related to advances receivables that were denominated in United States Dollars. Management does not hedge its exposure to foreign exchange risk. All advances receivable were repaid in full during the period ended November 30, 2010, so the Company is no longer exposed to foreign currency risk as it operates in Canada.

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 earns interest income at variable rates. The income earned on the bank account is subject to the movements in interest rates but the risk is determined to be minimal.

Liquidity Risk

Liquidity risk arises when financial obligations exceed available financial assets. 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 November 30, 2010, the Company was holding cash of \$277,765 and had working capital of \$254,530.

8. Subsequent event

Pursuant to the debt settlement agreement with a creditor dated December 15, 2010 and upon the TSX-V approval of the transaction, the Company issued 200,000 common shares of the Company at a deemed price of \$0.165 per share and 200,000 share purchase warrants entitling the creditor to purchase an additional common share for a period of 12 months from the issue date at a price of \$0.22 per share to settle \$33,000 in outstanding debt.