AFRASIA MINERAL FIELDS INC.

Financial Statements

May 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Afrasia Mineral Fields Inc.

We have audited the accompanying financial statements of Afrasia Mineral Fields Inc. which comprise the balance sheets as at May 31, 2011 and 2010 and the statements of loss, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Afrasia Mineral Fields Inc. as at May 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Afrasia Mineral Fields Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

September 26, 2011

AFRASIA MINERAL FIELDS INC.
Balance Sheets
As at May 31

		2011		2010
Assets				
Current assets:				
Cash and cash equivalents	**$**	**227,806**	$	132,203
Receivables		**6,427**		6,893
Prepaids		**–**		5,000
Advances receivable (Note 3)		**–**		591,561
		234,233		735,657
Equipment (Note 6)		**984**		1,440
	$	**235,217**	$	737,097
Liabilities and Shareholders' Equity (Deficit)				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**16,622**	$	121,457
Due to related parties (Note 8)		**131**		1,264
Loans payable (Note 4)		**–**		152,000
		16,753		274,721
Shareholders' equity (deficit):				
Share capital (Note 7)		**8,349,105**		8,318,291
Share subscriptions (Note 7)		**–**		117,000
Contributed surplus (Note 7)		**204,669**		204,669
Deficit		**(8,335,310)**		(8,177,584)
		218,464		462,376
	$	**235,217**	$	737,097

Nature and continuance of operations (Note 1)

Subsequent event (Note 13)

See accompanying notes to financial statements.

On behalf of the Board:

"Praveen Varshney" Director *"Peeyush Varshney"* Director

AFRASIA MINERAL FIELDS INC.

Statements of Loss, Comprehensive Loss and Deficit
For the years ended May 31

		2011		2010
Expenses:				
Amortization	**$**	**456**	$	728
Consulting fees		**–**		7,700
Management fees (Note 8)		**30,000**		30,000
Office and administration (Note 8)		**52,979**		58,855
Professional fees		**29,764**		14,844
Regulatory and transfer agent		**11,414**		15,321
Rent		**22,792**		25,142
Travel and promotion		**4,842**		10,982
Wages and benefits		**4,753**		5,980
Net loss before other items		**157,000**		169,552
Other items:				
Interest and other income		**(1,087)**		(2)
Other expenses		**1,813**		–
Repayment of investment tax credits		**–**		16,945
Write off of deferred costs (Note 5)		**–**		121,970
		726		138,913
Net loss and comprehensive loss		**(157,726)**		(308,465)
Deficit, beginning		**8,177,584**		7,869,119
Deficit, ending	**$**	**8,335,310**	$	8,177,584
Basic and diluted loss per common share	**$**	**(0.01)**	$	(0.02)
Weighted average number of common shares outstanding – basic and diluted		**19,911,047**		17,396,012

See accompanying notes to financial statements.

AFRASIA MINERAL FIELDS INC.

Statements of Cash Flows
For the years ended May 31

		2011		2010
Cash provided by (used in):				
Operations:				
Net loss	$	(157,726)	$	(308,465)
Items not involving cash:				
Amortization		456		728
Write-off of deferred costs		–		121,970
Change in non-cash working capital items:				
Receivables		466		(2,348)
Prepaids		5,000		(5,000)
Accounts payable and accrued liabilities		(71,835)		78,549
Contributions by (repayment to) related parties		(1,133)		(61,398)
		(224,772)		(175,964)
Investing:				
Advances receivable, net (Note 3)		591,561		(591,561)
Deferred costs (Note 5)		–		(121,970)
		591,561		(713,531)
Financing:				
Contributions by (repayment to) related parties		–		(10,000)
Loans payable (Note 4)		(152,000)		152,000
Proceeds on share issuance, net of issuance costs		(2,186)		607,850
Share subscriptions		(117,000)		179,250
		(271,186)		929,100
Increase in cash and cash equivalents		95,603		39,605
Cash and cash equivalents, beginning		132,203		92,598
Cash and cash equivalents, ending	$	227,806	$	132,203

Supplemental cash flow information:

200,000 common shares were issued at a value of $33,000 (2010 - $Nil) on the settlement of the debt (Note 7(b)).

Interest paid	$	–	$	–
Income taxes paid	$	–	$	–

See accompanying notes to financial statements.

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".

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. 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. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Further discussion of liquidity risk has been disclosed in Note 11.

		2011		2010
Deficit	**$**	**(8,335,310)**	$	(8,177,584)
Working capital		**217,480**		460,936

2. Summary of significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars. These financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective years presented.

2. Significant accounting policies (continued)

(b) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to going concern assessments, the expected tax rates for future income tax recoveries, assumptions used for the calculation of stock-based compensation and the fair values of financial instruments. Where estimates have been used, financial results as determined by actual events could differ from those estimates.

(c) Property and equipment

Property and equipment are recorded at cost and are amortized over their estimated useful lives at the following rates:

Computer	–	30-45%	declining balance method
Furniture & equipment	–	20%	declining balance method
Leasehold improvements	–	6 years	straight line method

In the year of acquisition, only one-half of the amortization is recorded.

(d) Impairment of long-lived assets

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognized in the statement of operations when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If an asset is considered to be impaired, the impairment charge is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

(e) Financial instruments

The Company adopted the CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

2. Significant accounting policies (continued)

(e) Financial instruments (cont'd)

The Company has classified its cash and cash equivalents as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities as well as due to related parties are classified as other financial liabilities, all of which are measured at amortized cost.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments, and approximates its carrying values, unless otherwise noted.

The Company has determined that it does not have derivatives or embedded derivatives.

The Company does not use any hedging instruments.

The Company adopted CICA Handbook Section 3862 "Financial Instruments – Disclosures" which was amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure. The additional fair value measurement disclosures include classification of financial inputs used in making the measurements, described as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and 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 derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has included the required disclosures in Note 11 to the financial statements.

(f) Stock-based compensation

The Company follows the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments", which requires the fair-value based method for measuring compensation costs. The Company determines the fair value of the stock-based compensation using the Black-Scholes option pricing model. Any consideration paid on the exercise of stock options is credited to share capital.

(g) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Basic loss per common share is calculated using the weighted-average number of post-consolidated common shares outstanding during the period. For the years ended May 31, 2011 and 2010, dilutive loss per share was equal to basic loss per share.

2. Significant accounting policies (continued)

(h) Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(i) Comprehensive income (loss)

The Company follows the CICA Handbook Section 1530, "Comprehensive Income". Section 1530 establishes standards for the reporting and presenting of comprehensive income (loss) which is defined as the change in equity from transaction and other events from non-owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss). The Company does not have any items that would cause comprehensive loss to be different than net loss for the years ended May 31, 2011 and 2010.

(j) Recent accounting pronouncements

International Financial Reporting Standards ("IFRS")

In 2008, Canada's Accounting Standards Board (AcSB) confirmed that publicly-listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to report using IFRS commencing with its interim financial statements for the three months ending August 31, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. Management does not anticipate a significant impact on its financial statements between Canadian GAAP and IFRS at this time.

Business Combinations – Section 1582

In January 2009, the CICA issued Section 1582, Business Combinations, which provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations, and replaces the existing Section 1581, Business Combinations. The new standard will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests.

3. Advances receivable

Pursuant to the terms of the Agreement (Note 1), 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. Upon termination of the Agreement, the Seller fully repaid the Company the advanced amounts.

4. 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 8) 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 1). Upon termination of the Agreement, the Company repaid the loan.

5. Deferred costs

During fiscal 2010, the Company incurred $121,970 in costs related to the Agreement (Note 1) consisting mainly of regulatory, legal and audit costs. Due to termination of the Agreement, these costs were written off to operations in fiscal 2010.

6. Property and equipment

	2011			2010		
	Cost	Accumulated Amortization	Net book Value	Cost	Accumulated Amortization	Net book Value
Equipment	$ 5,063	$ 4,497	$ 566	$ 5,063	$ 4,356	$ 707
Furniture	1,772	1,354	418	1,772	1,249	523
Leasehold improvements	2,522	2,522	–	2,522	2,312	210
Total	$ 9,357	$ 8,373	$ 984	$ 9,357	$ 7,917	$ 1,440

7. Share capital

(a) Authorized

Unlimited number of common shares without par value.

7. Share capital (continued)

(b) Issued and fully paid

	Number of Shares	Share Capital	Contributed Surplus
Balance, May 31, 2009	15,326,663	$ 7,710,441	$ 204,669
Private placement, net	2,000,000	482,850	–
Exercise of warrants	2,500,000	125,000	–
Balance, May 31, 2010	19,826,663	8,318,291	204,669
Shares issued on debt settlement	200,000	33,000	–
Share issuance costs	–	(2,186)	–
Balance, May 31, 2011	20,026,663	$ 8,349,105	$ 204,669

During the year ended May 31, 2011, the Company:

- issued 200,000 units at a deemed price of $0.165 per unit on the settlement of outstanding debt of $33,000 for legal services provided to the Company in fiscal 2010 in connection with the cancelled RTO. Each unit consisted of one common share of the Company and one transferable share purchase warrant 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. The Company has not separately disclosed the fair value of the warrants issued to the creditor.

- recorded $2,186 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 1).

During the year ended May 31, 2010:

- the Company received in full the $62,250 recorded in share subscriptions receivable at May 31, 2009.

- the Company completed a non-brokered private placement of 2,000,000 units at a price of $0.25 per unit for proceeds of $500,000. Each unit consists of one common share and one-half share purchase warrant of the Company. Each whole warrant entitles the holder, on exercise, to purchase one additional common share of the Company at a price of $0.35 per share for a period of 1 year. The Company paid $17,150 in share issuance costs relating to this private placement.

- an aggregate of 2,500,000 warrants were exercised at an exercise price of $0.05 per common share and an aggregate of 2,500,000 common shares were issued for gross proceeds of $125,000.

- As at May 31, 2010, the Company received share subscriptions for a total of 234,000 units at a price of $0.50 per share for total proceeds of $117,000.

7. Share capital (continued)

(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.

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, 2009 and 2010	573,000	$ 0.36	0.95
Expired	(359,000)	0.36	–
Balance, May 31, 2011	214,000	$ 0.35	0.84

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)
214,000	$ 0.35	April 4, 2012	214,000	0.84

(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, 2009	2,500,000	$ 0.05	0.99
Exercised	(2,500,000)	0.05	–
Granted	1,000,000	0.35	0.55
Balance, May 31, 2010	1,000,000	0.35	0.06
Expired	(1,000,000)	0.35	–
Issued on debt settlement (Note 7(b))	200,000	0.22	0.58
Balance, May 31, 2011	200,000	$ 0.22	0.58

7. Share capital (continued)

(d) Warrants (continued)

The warrants outstanding and exercisable as at May 31, 2011:

Number of Shares	Exercise Price	Expiry Date	Exercisable
200,000	$ 0.22	December 29, 2011	200,000

8. Related party transactions

(a) On February 1, 2009, the Company entered into an agreement with 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 year ended May 31, 2011, the Company paid or accrued $30,000 (2010 – $30,000) for management fees and $36,000 (2010 – $36,000) for administrative services to this company.

(b) As at May 31, 2011, $131 (2010 - $1,264) was due to a director of the Company. The amount resulted from expense reimbursements and repaid subsequent to May 31, 2011.

(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).

(d) As at May 31, 2011, a total of $357 (2010 - $Nil) was due from companies with directors and officers in common. The amounts resulted from recovery of expenses, were included in accounts receivable and repaid subsequent to May 31, 2011.

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

9. Income taxes

A reconciliation of income taxes at statutory rates with reported taxes and details of future income tax assets are as follows:

	2011	2010
Loss before income taxes	$ 157,726	$ 308,465
Tax rate	26.5%	29.4%
Expected income tax recovery	(41,797)	(90,689)
Non taxable items	310	–
Expiring losses	–	52,313
Change in valuation allowance	(5,468)	(7,056)
Impact of tax rate changes	46,955	45,432
Income tax recovery	$ –	$ –

9. Income taxes (continued)

Details of future income tax assets are as follows:

	2011	2010
Future income tax assets:		
Capital and non-capital losses	$ 338,000	$ 323,000
Financing costs	3,000	4,000
Property and equipment	5,000	5,000
Resource properties	200,000	209,000
	546,000	541,000
Valuations allowance	(546,000)	(541,000)
Net future income tax assets	$ –	$ –

The Company has non-capital losses of approximately $1,277,000 which may be available to offset future income for income tax purposes which commence expiring between 2014 and 2031. In addition, the Company also has resource deductions available to reduce taxable income in future years. Future tax benefits, which may arise as a result of these losses and resource expenditures, have not been recognized in these financial statements, and have been offset by a valuation allowance.

10. 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.

11. 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 and cash equivalents, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities.

11. Financial instruments (continued)

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 accounts and its short-term Guaranteed Investment Certificates ("GIC"), whose balances at May 31, 2011 were $17,806 and $210,000, respectively. As all of the Company's cash and cash equivalents are 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.

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 and interest accumulated on the GIC.

Foreign Currency Risk

The Company was exposed to foreign currency risk on fluctuations related to advances receivables that were denominated in United States Dollars. All advances receivable were repaid in full during the year ended May 31, 2011, 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 accounts and the GIC earn interest income at variable rates. The income earned on the bank accounts and the GIC 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 May 31, 2011, the Company was holding cash and cash equivalents of $227,806 to settle its current liabilities of $16,753. Management believes it has sufficient funds to meet its current obligations as they become due.