COLOSSAL RESOURCES CORP.

(A Development Stage Company)

Unaudited Condensed Interim Financial Statements

Nine months ended January 31, 2012

(Expressed in Canadian Dollars)

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 have been prepared by and are the responsibility of the management.

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

COLOSSAL RESOURCES CORP.
(A Development Stage Company)
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars – unaudited)

	Notes	January 31, 2012	April 30, 2011 (Note 15)	May 1, 2010 (Note 15)
ASSETS				
Current assets				
Cash		$ 3,915	$ 3,646	$ 3,684
Receivables	4	11,029	4,559	-
Prepaids		-	833	-
Total current assets		14,944	9,038	3,684
Equipment	5	-	-	282
TOTAL ASSETS		$ 14,944	$ 9,038	$ 3,966
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	6	$ 69,255	$ 35,727	$ 1,379,161
Advances from related party	7	-	-	16,920
Loans payable	8	28,086	5,000	133,366
TOTAL LIABILIITES		97,341	40,727	1,529,447
SHAREHOLDERS' DEFICIENCY				
Share capital	10	17,295,005	17,295,005	15,786,495
Deficit		(17,377,402)	(17,326,694)	(17,311,976)
TOTAL DEFICIENCY		(82,397)	(31,689)	(1,525,481)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$ 14,944	$ 9,038	**$** 3,966

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Andrew Cheshire" Director *"Dennis Mee"* Director

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

COLOSSAL RESOURCES CORP.

(A Development Stage Company)
Condensed Interim Statements of Loss and Comprehensive Loss
For the nine months ended January 31, 2012 and 2011
(Expressed in Canadian dollars – unaudited)

	Three Months Ended January 31, 2012	Three Months Ended January 31, 2011	Nine Months Ended January 31, 2012	Nine Months Ended January 31, 2011
EXPENSES				
Administration fees	$ -	$ 6,000	$ -	$ 24,000
Consulting	2,500	3,250	6,250	29,500
Depreciation	-	21	-	63
Interest expense	-	691	-	9,310
Investor relations	753	-	1,862	-
Occupancy costs	-	5,000	-	20,000
Office and miscellaneous	20	4,443	150	20,334
Professional fees	5,646	5,812	28,868	44,776
Transfer agent, listing and filing fees	4,643	-	13,578	-
Loss and comprehensive loss for the period	$ (13,562)	$ (25,217)	(50,708)	$ (147,983)
Basic loss per common share (Note 9)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.02)
Weighted average number of common shares outstanding	12,157,762	10,118,240	12,157,762	6,438,324

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

COLOSSAL RESOURCES CORP.

(A Development Stage Company)

Condensed Interim Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars – unaudited)

	Share capital						
	Number of shares		Amount		Deficit		Total
Balance at May 1, 2010	1,286,442	$	15,786,495	$	(17,311,976)	$	(1,525,481)
Private placement	8,333,333		1,000,000		-		1,000,000
Issued for settlement of debt	498,465		59,816		-		59,816
Comprehensive loss for the period	-		-		(147,983)		(147,983)
Balance at January 31, 2011	10,118,240	$	16,846,311	$	(17,459,959)	$	(613,648)
Issued for settlement of debt	2,039,522		448,694		-		448,694
Comprehensive income for the period	-		-		133,265		133,265
Balance at April 30, 2011	12,157,762	$	17,295,005	$	(17,326,694)	$	(31,689)
Comprehensive loss for the period	-		-		(50,708)		(50,708)
Balance at January 31, 2012	12,157,762	$	17,295,005	$	(17,377,402)	$	(82,397)

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

COLOSSAL RESOURCES CORP.
(A Development Stage Company)
Condensed Interim Statements of Cash Flows
For the nine months ended January 31, 2012 and 2011
(Expressed in Canadian dollars – unaudited)

	Nine Months Ended January 31, 2012	Nine Months Ended January 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (50,708)	$ (147,983)
Items not affecting cash:		
Depreciation	-	63
Changes in non-cash working capital items:		
Increase in receivables	(6,470)	-
Decrease in prepaid	833	-
Increase (decrease) in accounts payable and accrued liabilities	33,528	(862,765)
Net cash used in operating activities	(22,817)	(1,010,685)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of advances from former related party	-	(16,920)
Proceeds from loans payable	23,086	24,863
Share subscriptions received	-	1,000,000
Net cash provided by financing activities	23,086	1,007,943
Change in cash for the period	269	(2,742)
Cash, beginning of period	3,646	3,684
Cash, end of period	$ 3,915	$ 942

Supplemental disclosure with respect to cash flows (Note 14)

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

1. Nature and continuance of operations

Colossal Resources Corp. (the "Company") currently has no activity and to date has not earned significant revenues and is considered to be in the development stage. The Company has evaluated several oil and gas opportunities in Canada, but has yet to reach the point where the Company can enter into a letter of intent of any kind. The oil and gas market has been depressed in the last year and the Company feels that this is the best time to enter the sector. The Company is focused on domestic oil and gas projects as opposed to international as the political climate in Canada is stable as compared to some of the emerging oil and gas countries.

The Company changed its trading name and symbol effective October 27, 2010 from Blue Diamond Mining "BDM.H" and now trades under the symbol "CIA.H" on the NEX board, which is a separate board of the TSX Venture exchange. The address of the Company's registered office is 1910-1055 West Hastings Street, Vancouver, BC V6E 2E9.

These unaudited condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed interim financial statements.

2. Significant accounting policies and basis of preparation

The condensed interim financial statements were authorized for issue on March 29, 2012 by the Board of Directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

These condensed interim financial statements for the nine month period ended January 31, 2012 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".

The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended April 30, 2011 prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The basis of presentation of these condensed interim consolidated financial statements is different to that of the Company's most recent annual financial statements due to the first time adoption of IFRS.

A summary of the Company's significant accounting policies under IFRS is presented below. These policies have been applied retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1. The impact of the transition from Canadian GAAP to IFRS is explained in Note 15.

The condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss or available-for-sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions

The preparation of the Company's condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim financial statements and reported amounts of revenues and expenses during the reporting period. 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.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Equipment

Equipment is recorded at cost and is amortized using the declining balance method over their estimated useful lives as follows:

Computer equipment	30%

Foreign currency translation

The Company's reporting currency and the functional currency of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit and loss for the period.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2. Significant accounting policies and basis of preparation (cont'd)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized as its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with site closure and reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and the Company's estimates are reviewed at the end of each reporting period for changes in regulatory requirements, effects of inflation and changes in estimates.

The Company had no asset retirement obligations as of January 31, 2012 and April 30, 2011 and May 1, 2010.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of assets

At the end of each reporting period the carrying amounts of the Company' assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.
Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2. Significant accounting policies and basis of preparation (cont'd)

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash and equivalents and deposits are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At January 31, 2012, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At January 31, 2012, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, advances from related party, and loans payable are classified as other financial liabilities.

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

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a stock-based compensation expense 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. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is 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 each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes

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

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

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

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the periods presented, comprehensive loss was the same as net loss.

Loss per share

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

Comparative figures

Certain comparative figures have been reclassified to conform with presentation adopted for the current period.

3. New standards, amendments and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of January 31, 2012 and have not been applied in preparing these interim financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Financial instruments disclosure

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its financial statements.

(Expressed in Canadian dollars – unaudited)

3. New standards, amendments and interpretations not yet effective (cont'd)

Joint ventures

The IASB issued Exposure Draft 9 – Joint Arrangements ("ED-9") in September 2007. ED-9 proposed to eliminate the Company's choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method. During the second quarter of 2009, the IASB commenced re-deliberations of ED-9 and now proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The IASB plans on publishing the final standard during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact that ED-9 and the final standard are expected to have on its financial statements.

Income taxes

In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its financial statements.

Consolidation

On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 - Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

Financial instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

4. Receivables

	January 31, 2012	April 30, 2011	May 1, 2010
Sales tax receivables	$ 11,029	$ 4,559	$ -

(Expressed in Canadian dollars – unaudited)

5. Equipment

	Cost	Accumulated depreciation	Write-down	**Net book value**
January 31, 2012				
Computer equipment	**$ -**	**$ -**	**$ -**	**$ -**
April 30, 2011				
Computer equipment	$ 1,052	$ 770	$ 282	**$ -**
May 1, 2010				
Computer equipment	$ 1,052	$ 770	$ -	$ 282

During the year ended April 30, 2011, the Company's review of its long-lived assets resulted in the write-down to $nil as the computer equipment did not have economic value.

6. Accounts payables and accrued liabilities

	January 31, 2012	**April 30, 2011**	**May 1, 2010**
Accounts payables	$ 66,254	$ 15,727	$ 1,345,869
Accrued liabilities	3,000	20,000	33,292
	$ 69,254	$ 35,727	$ 1,379,161

7. Advances from related party

As of January 31, 2012 and April 30, 2011, amounts due to a company controlled by a former director were $nil (May 1 - $16,920). These amounts were due on demand, non-interest bearing, unsecured and have no fixed term of repayment.

8. Loans payable

As at January 31, 2012, loans payable of $28,086 (April 30, 2011 - $5,000) were due on demand and non-interest bearing (May 1, 2010 - $133,366 were due on May 31, 2010 bearing an interest of 12% per annum).

9. Basic loss per share

The calculation of basic loss per share for the nine month period ended January 31, 2012 was based on the loss attributable to common shareholders of $50,708 (2011 - $147,983) and the weighted average number of common shares outstanding of 12,157,762 (2011 - 6,438,324).

Diluted loss per share was not calculated as there were no stock options or warrants outstanding (which would be anti-dilutive) during the nine month period ended January 31, 2012 and 2011.

10. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

Effective June 7, 2010, the Company consolidated its share capital on a one for twenty-five basis, reducing outstanding number of common shares to 1,286,442. All references to the issuance, granting and exercising of common stock, stock options and warrants and loss per share amounts in these financial statements have been adjusted to reflect the retro-active effect of the twenty-five for one share consolidation.

At January 31, 2012 and April 30, 2011, there were 12,157,762 issued and fully paid common shares (May 1, 2010 - 1,286,442).

Please refer to the Interim Statement of Changes in Shareholders' Deficiency for a summary of changes in share capital for the nine months ended January 31, 2012.

On October 19, 2010, announced during its annual general and special meeting held on October 15, 2010, the shareholders approved a subdivision of the Company's common shares on a basis of 3 post-consolidated shares for every 1 pre-consolidated share (the "Subdivision") subject to discretion of the Board, and subject to the approval of the TSX Venture Exchange. The directors have not implemented the Subdivision at this time.

Private placements and debt settlements

During the nine month period ended January 31, 2012, there were no share issuance transactions.

During the year ended April 30, 2011, the Company closed a private placement of 8,333,333 common shares (May 1, 2010 - 395,081) of the capital stock of the Company at a price of $0.12 per common share (May 1, 2010 - $2.86) for gross proceeds of $1,000,000 (May 1, 2010 - $1,131,560).

Additionally, the Company issued 2,537,987 common shares (May 1, 2010 - 193,213) at a weighted average price of $0.20 per share (May 1, 2010 - $2.86) to settle $508,510 (May 1, 2010 - $483,032) of debt.

Stock options

The Company has a stock option plan under which employees, directors, officers, consultants and agents of the Company and its affiliates are eligible to receive stock options. The maximum number of common shares issuable pursuant to the exercise of outstanding options granted under the plan shall be 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of the outstanding common shares of the Company. The maximum number of common shares optioned to any one optionee relating to investor relations activities or to a consultant in any 12 month period may not exceed 2% of the outstanding shares at the time of the grant without the prior consent of the stock exchanges on which the Company's common shares are then listed. Options granted under the plan may not exceed five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

As at January 31, 2012, April 30, 2011 and May 1, 2010, there were no stock options outstanding.

Warrants

As at January 31, 2012, April 30, 2011 and May 1, 2010, there were no share purchase warrants outstanding.

11. Related party transactions

Paid or accrued consulting fees of $2,500 (2011 - $nil) to a company controlled by a director of the Company.

Repayment of advances from a former related party is disclosed in Note 7.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash balances and components of shareholders' equity (deficiency). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine month period ended January 31, 2012. The Company is not subject to externally imposed capital requirements.

13. Financial risk management

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

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

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

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

Cash is classified as Level 1.

As at January 31, 2012, the carrying values of cash, receivables and accounts payable and accrued liabilities, due to related parties and loans payable approximate their fair values due to their short terms to maturity.

13. Financial risk management (cont'd)

Financial Risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk
The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institution and for receivables by standard credit checks. At January 31, 2012, the Company's exposure to credit risk is minimal

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at January 31, 2012, the Company had cash balance of $3,915 (April 30, 2011 - $3,646 and May 1, 2010 - $3,684) to settle current liabilities of $97,341 (April 30, 2011 - $40,727 and May 1, 2010 - $1,529,447).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest risk

The Company has cash balances and interest-bearing loans payable. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of January 31, 2012, the Company did not have any investments in investment-grade short-term deposit certificates. The Company's loans payable bear interest at fixed interest rates, and as such, the Company is not exposed to interest rate risk on its loans payable.

b) Foreign currency risk

The Company does not have any balances denominated in a foreign currency and believes it has no significant foreign currency risk.

(Expressed in Canadian dollars – unaudited)

13. Financial risk management (cont'd)

Market risk (cont'd)

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

14. Supplemental disclosure with respect to cash flows

The Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Nine month periods ended	
	January 31, 2012	January 31, 2011
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

There were no significant non-cash transactions for the periods ended January 31, 2012 and 2011.

15. Transition to IFRS

As stated in Note 2, these condensed interim financial statements for the nine month period ended January 31, 2012 have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS").

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

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

a) to apply the requirements of IFRS 2, Share-based Payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

b) IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before May 1, 2010.

c) to apply the requirements of IAS 23, Borrowing Costs, as of the Transition Date.

In preparing the condensed interim financial statements, the Company has determined that there are no adjustments required for amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. As a result, the Company has not presented any reconciliations.