PROMINEX RESOURCE CORP.

INTERIM FINANCIAL STATEMENTS

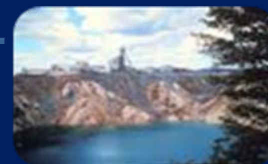
FOR THE THREE MONTHS ENDED JULY 31, 2011

(UNAUDITED – PREPARED BY MANAGEMENT)

(Expressed in Canadian Dollars)

Dated: 28 October 2011

1010 Howe Street
Suite 1001
Vancouver, BC Canada V6Z 1P5
Telephone: 1.604.566.1094
Website: http://www.prominex.ca
Prominex Resource Corp. trades on the TSX Venture Exchange under the symbol PXR



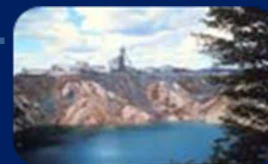
NOTICE OF NO REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument Policy 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 financial statements of the company have been prepared by and are the responsibility of the Company's management.

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

"Gordon Barron"
President and Chief Executive Officer



CONTENTS

PAGE

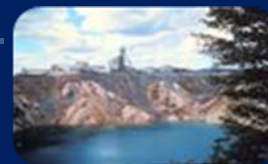
Statement of Financial Position..

Statements of Loss, Comprehensive Loss and Deficit ....

Statement of Change in Shareholders' Equity ....

Statements of Cash Flows..

Notes to the Financial Statements ....7 to 22



Statement of Financial Position

	As at July 31 2011 $	As at April 30 2011 (Note 9) $	As at May 1 2010 (Note 9) $
Assets			
Current Assents			
Cash & Cash Equivalents	140,287	290,103	67,568
Amounts Receivables	42,133	33,407	35,879
Prepaid Expenses & Deposits	-	14,518	-
	182,420	338,028	103,447
Non-current Assets			
Exploration & Evaluation Assets (Note 4)	1,742,647	1,694,938	1,658,246
	1,925,067	2,032,966	1,761,693
Liabilities			
Current Liabilities			
Accounts Payable & Accrued Liabilities	491,515	549,695	490,490
Shareholders' Equity			
Share Capital	7,885,228	7,885,228	7,609,278
Warrants	152,800	152,800	538,136
Contributed Surplus	2,570,619	2,570,619	1,921,183
Deficit	(9,175,095)	(9,125,376)	(8,797,394)
	1,433,552	1,483,271	1,271,203
	1,925,067	2,032,966	1,761,693

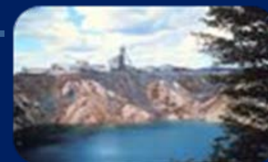
See Nature of Operations and Going Concern (Note 1)

On behalf of the Board

"Gordon Barron"	*"Allan Innes"*
Director	Director

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

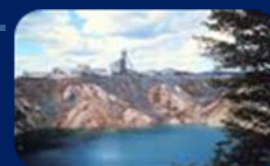
PROMINEX RESOURCE CORP.



UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THREE MONTHS ENDED JULY 31, 2011
(PREPARED BY MANAGEMENT)
STATEMENT OF LOSS AND COMPREHENSIVE LOSS

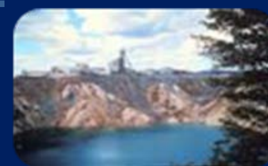
	Three Months Ended July 31	
	2011	2010 (Note 9)
	$	$
Expenses:		
Bank Charges & Interest	133	258
Consulting Wages & Benefits	24,900	24,000
Office & General	3,185	-
Legal	4,455	60
Filing & Transfer Agent Fees	6,094	-
Investor Relations & Shareholder Information	1,234	1,611
Regulatory Fees	-	1,177
Rent	4,266	9,327
Secretarial Services	945	-
Training& Seminars	2,944	-
Travel & Entertainment	1,563	-
	49,719	36,433
Net Loss & Comprehensive Loss for the Period	**(49,719)**	**(36,433)**
Loss per Share, Basic and Diluted	**(0.001)**	**(0.001)**
Weighted Average Number of Shares Outstanding, Basic and Diluted	52,071,561	49,325,890

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



STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

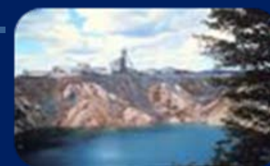
	Common Share Without Par Value					Total Shareholders' Equity
	Shares	Amount	Warrants	Contributed Surplus	Deficit	
	#	$	$	$	$	$
Balance, May 1, 2010	49,325,890	7,609,278	538,136	1,921,183	(8,797,394)	1,271,203
Net Loss & Comprehensive Loss for the Period					(36,433)	(36,433)
Expiry of warrants			(415,149)	415,149		-
Balance July 31, 2010	**49,325,890**	**7,609,278**	**122,987**	**2,336,332**	**(8,833,827)**	**1,234,770**
Issue of Securities for Cash:						
Private Placement at $0.05 per Unit	8,955,000	296,950	152,800			449,750
Share Issuance Costs		(21,000)				(21,000)
Warrants						
Expiry of Warrants			(122,987)	122,987		
Share Based Payments				111,300		111,300
Net Loss & Comprehensive Loss for the Remainder of the Year					(291,549)	(291,549)
Balance, April 30, 2011	**58,320,890**	**7,885,228**	**152,800**	**2,570,619**	**(9,125,376)**	**1,483,271**
Net Loss & Comprehensive Loss for the Period					(49,719)	(49,719)
Balance, July 31, 2011	**58,320,890**	**7,885,228**	**152,800**	**2,570,619**	**(9,175,095)**	**1,433,552**



STATEMENT OF CASH FLOWS

	Three Months Ended July 31	
	2011	**2010**
	$	**$**
Cash provided by (used in) the following activities:		
Operating		
Net Loss and Comprehensive Loss for the Period	(49,719)	(36,433)
		-
Net Change in Non-cash Working Capital Items (Note 6)	(52,388)	(19,254)
Investing		
Expenditures on Exploration & evaluation Assets	(47,709)	-
Net Change in Cash & Cash Equivalents for the Period	(149,816)	(55,687)
Cash & cash equivalents, beginning of period	290,103	67,268
Cash & Cash Equivalents, End of Period	140,287	11,811

See Supplemental Cash Flow Information (Note 6)



1. NATURE OF OPERATIONS AND GOING CONCERN

Prominex Resource Corp. (the "Company") is continued under the Canada Business Corporations Act and its principal business activity is the exploration of mineral properties. The address of the Company's head office is 1001-1010 Howe Street, Vancouver, British Columbia, Canada V6Z 1P5.

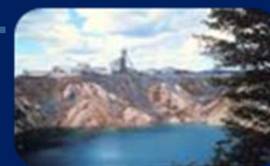
The Company is considered to be in the development stage, is in the process of exploring mineral properties in Canada, and has not yet determined whether these properties contain economic reserves. While these financial statements have been prepared based on accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business, adverse conditions could cast doubt upon the validity of this assumption. Management has estimated that the Company will have adequate funds from existing working capital to meet its corporate, administrative and property obligations for the coming year. If the Company is to advance or develop its mineral properties further, it will be necessary to obtain additional financing, and while the Company has been successful in the past, there can be no assurance that it will be able to do so in the future.

The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production or proceeds from the disposition of its interests. The amounts shown as mineral properties represent net costs to date and do not necessarily represent present or future values. If the going concern assumption was not appropriate for these financial statements, then adjustments might be necessary to the carrying values of assets and liabilities, the reported loss and the balance sheet classifications used.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) using accounting policies consistent with International Financial Reporting Standards (IFRS). These are the Company's first IFRS interim financial statements for part of the period covered by the first IFRS annual financial statements. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on April 30, 2012, the Company's first annual IFRS reporting date. Previously, the Company prepared its interim and annual financial statements in accordance with Canadian GAAP. The adoption of IFRS resulted in changes to the Company's accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at May 1, 2011, as required by IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from Canadian GAAP is explained in Note 13. This note includes reconciliations of equity and total comprehensive loss for comparative periods and of equity at the date of transition reported under previous Canadian GAAP to those reported for those periods and at the date of transition under IFRS. The interim financial statements do not include all of the information required for full



annual financial statements and should be read in conjunction with the Company's April 30, 2011, year-end financial statements.

(b) Basis of Measurement

These unaudited interim financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for cash flow information.

(c) Presentation Currency

The Company's presentation currency and functional currency is the Canadian dollar.

(d) Significant Accounting Judgments and Estimates

The preparation of financial statements requires management to make estimates, judgments, and assumptions that affect the amounts reported in the financial statements and notes. By their nature, these estimates, judgments, and assumptions are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The more significant areas are described below.

2.1 Critical Accounting Estimates

The amounts recorded for share-based payment transactions are based on estimates. The Black-Scholes model is based on estimates of assumptions for expected volatility, expected number of option to vest, dividend rate, risk-free interest rate and expected life of the options.

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economical reserves, the ability of the Company to obtain financing to complete development of the properties and on future production or proceeds of disposition.

Management's assumption of no material restoration, rehabilitation and environmental obligation, is based on the facts and circumstances that existed during the period.

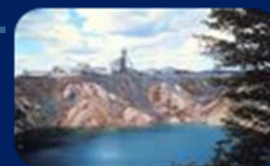
Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

2.2 Critical Accounting Judgments

The following accounting policies involve judgements or assessments made by management

(a) Cash and Cash Equivalents

Cash and cash equivalents consists of cash, demand deposits and high-interest savings vehicles.



(b) Foreign Currency Translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the interim statement of loss and comprehensive loss.

(c) Exploration and Evaluation Assets

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 as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

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, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

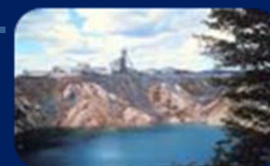
Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management’s judgement that none of the Company’s exploration and evaluation assets has reached the development stage and as a result are all considered exploration and evaluation assets.

(d) Impairment of Non-Financial Assets

The Company's tangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated. Long-lived assets that are not amortized are subject to an annual impairment assessment.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company considers each mineral property to be a cash-generating unit. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.



The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

(e) Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees, and services providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense or charged to mineral properties as appropriate, 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.

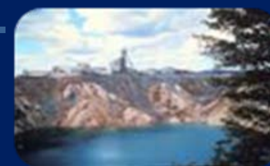
The fair value for share purchase options granted to employees or those providing services similar to those provided by a direct employee is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case the fair value of the share purchase options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

(f) Income Taxes

Income tax on the profit or loss consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.



Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable regarding previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred 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 deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill not deductible for tax purposes
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

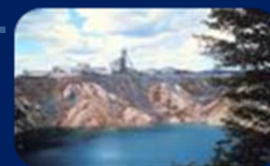
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(g) Loss per Share

Loss per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(h) Comprehensive Loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss, components of other comprehensive income and cumulative translation adjustments are presented in the interim statements of comprehensive loss and the interim statements of changes in equity.



(i) Flow-through Shares

The Company will issue, from time to time, flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available.

(j) Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount, or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation, and or environmental costs.

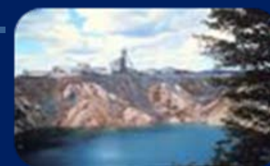
(k) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense (notional interest).

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

(l) Joint Ventures

A portion of the Company's exploration activities is conducted jointly with others wherein the Company enters into agreements that provide for a specified percentage interest in mineral properties. The Company's share of expenditures on these properties is capitalized to mineral properties. Joint venture accounting that reflects the



Company's proportionate interest in mineral properties is applied by the Company only when the parties enter into formal comprehensive agreements for ownership and mineral participation.

(m) Accounting Standards Issued but not yet Effective

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

In May 2011, the IASB issued the following standards, effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, which have not yet been adopted by the Company. The Company has not yet begun to assess the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

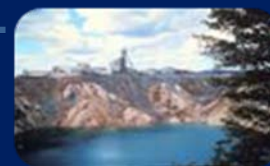
International Financial Reporting Standard 11, Joint Arrangements (IFRS 11) IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities revenue, and expenses of the joint operation. Under existing IFRS, entities have the choice to consolidate proportionally or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Controlled Entities – Non-monetary Contributions by Venturers.

International Financial Reporting Standard 13, Fair Value Measurement (IFRS 13) IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

International Accounting Standard 28, Investments in Associates and Joint Ventures (IAS 28) As a consequence of the issuance of IFRS 10, IFRS 11, and IFRS 12, IAS 28 has been amended and will further provide accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard will be applied by the Company when there is joint control or significant influence over an investee.

3. CAPITAL MANAGEMENT

The Company manages its capital to maintain adequate levels of funding to support the acquisition and exploration of mineral properties and to maintain the necessary corporate and administrative functions to support these activities. The capital structure consists of working capital and shareholders' equity. The Company raises capital, as necessary, to meet its needs and to take advantage of perceived opportunities and therefore, does not



have a numeric target for its capital structure. There were no changes to the Company's approach to capital management during the three months ended July 31, 2011 compared to the year ended April 30, 2011.

The Company does not have any covenants respecting its capital ratios.

4. EXPLORATION AND EVALUATION ASSETS

The Company's mineral properties are all located in Newfoundland and Labrador, Canada. The Company has investigated title to all of its mineral properties and all of its properties are in good standing and requires no expenditures until 2013.

4.1 Tulks Hill

On December 15, 2005, the Company entered into an option agreement to acquire a 51% interest in a property known as Tulks Hill located in central Newfoundland. In November 2007, the Company earned a 51% interest by completing the requirements under the option agreement. In July 2008, the Company received an NI 43-101 Technical Report on the Tulks Hill property. The property is subject to Net Smelter Return royalties ranging from 2% to 2.25% on certain of the claims.

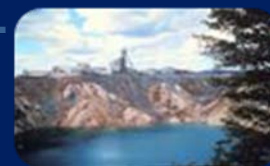
The Company is aware that it must conduct a property clean up at Tulks Hill. The Company has accrued an estimate of $25,000 for these cleanup costs.

4.2 Lake Bond

On December 28, 2006, the Company entered into an option agreement to acquire a 100% interest in a property known as Reid Lot 50, Lake Bond located in central Newfoundland. In order to acquire the 100% interest, the Company must expend $50,000 on exploration and development of the claims by October 17, 2010. The option was extended to October 17, 2011 to allow the Company to complete the expenditures. The property is subject to a Net Smelter Return royalty of 2%, of which the Company can purchase 1% for $1,000,000.

A summary of mineral properties as at April 30, 2011, and 2010 is as follows:

	Balance April 30, 2011 $	Acquisition Costs $	Exploration Expenditures(1) $	Write-downs $	Balance July 31, 2011 $
Tulks Hill	1,623,852	-	47,709	-	1,671,561
Lake Bond	71,086	-	-	-	71,086
	1,694,938	-	47,709	-	1,742,647



	Balance May 1, 2010 $	Acquisition Costs $	Exploration Expenditures[(1)] $	Write-downs $	Balance April 30, 2011 $
Tulks Hill	1,604,274	-	19,578	-	1,623,852
Lake Bond	53,972	-	17,114	-	71,086
	1,658,246	-	36,692	-	1,694,938

5. SHARE CAPITAL

5.1 Authorized, Issued, and Outstanding

The Company is authorized to issue unlimited common shares and at the present time has 58,320,890 common shares issued and outstanding.

5.2 Private Placements

The company did not complete any private placements during the three months ended July 31, 2011.

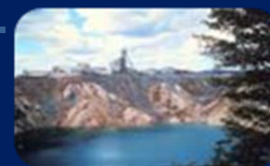
5.3 Share Purchase Warrants

The change in warrants during the three months ended July 31, 2011, and the twelve months ended April 30, 2011, is as follows:

	Number of Warrants	Weighted-Average Exercise Price $
At May 1, 2010	20,190,000	0.11
Expired	(20,190,000)	0.10
Issued	8,995,000	0.11
At April 30, 2011	8,995,000	0.10
Expired	-	
Issued	-	
At July 31, 2011	8,995,000	0.10

Details of the outstanding share purchase warrants at July 31, 2011 are as follows:

Expiry Date	Exercise Price per Share $	Number of Shares
Jan.29, 2012	0.10	1,760,000
Apr.29, 2012	0.10	7,235,000



5.4 Share Based Payments

Share Purchase Options

The Company has adopted a formal stock option plan, which follows the TSX Venture Exchange (TSX-V) policy under which it is authorized to grant options to directors and employees to acquire up to 10% of issued and outstanding common stock. Under the plan, the exercise price of each option equals the discounted market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years and options issued to consultants are subject to a vesting provision whereby 25% become exercisable every three months over a period of 12 months.

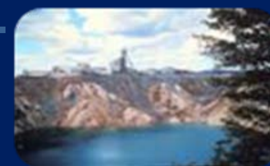
The change in stock options during the year ended April 30, 2011, and the three months ended July 31, 2011, is as follows:

	Number of Options	Weighted-Average Exercise Price $
At May 1, 2010	500,000	0.15
Expired	(500,000)	0.17
Issued	3,700,000	
At April 30, 2011	3,700,000	0.10
Expired	-	
Issued	-	
At July 31, 2011	**3,700,000**	**0.10**

The fair value of the stock options issued in 2011 has been estimated using a Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, expected volatility of 105%, risk-free interest rate of 2.56% and expected life of five years.

The following table summarizes information about options outstanding at July 31, 2011:

Exercise Price $	Options Outstanding and Exercisable	Options Not Vested	Remaining Contractual Life (in years)
0.10	3,700,000	1,850,000	4.5



6. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended July 31	
	2011	2010
	$	$
Changed in Non-cash Working Capital		
Receivables	(8,726)	(544)
Prepaid expenses	14,518	-
Payables and accruals	(52,180)	(18,710)
	(52,388)	(19,254)

7. RELATED PARTY TRANSACTIONS

The Company's related parties consist of executive officers and directors, the spouse of an executive officer, and companies controlled by executive officers and directors.

During the quarter, the Company paid or accrued the following amounts to related parties:

- $3,866 (2010 -$5,154) in head office rent to an officer and director, which was charged to loss for the period
- $35,400 (2010 -$24,000) in salaries, management fees and director fees to key management personnel, of which $24,900 (2010 -$24,000) was charged to loss for the period and $10,500 (2010 -$Nil) was charged to mineral properties.

Included in accounts payable and accrued liabilities are amounts owing to related parties of $286,529 (2010 -$320,301)

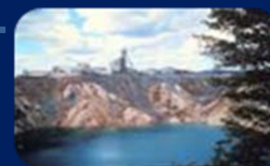
The above transactions were in the normal course of operations and were measured at the exchange amount, which are the amounts agreed to by the related parties.

8. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate).

8.1 Credit Risk

The Company financial assets are cash and cash equivalents and amounts receivable. The Company holds its cash and cash equivalents with a Canadian chartered bank and the risk of default is considered to be remote.



Amounts receivable include an amount receivable from a joint exploration partner from which management believes the risk of loss to be limited based on historical experience.

8.2 Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At July 31, 2011, the Company had cash and cash equivalents of $140,287 (2010 -$11,881) to settle current liabilities of $491,515 (2010 -$471,780). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

8.3 Interest Rate Risk

Interest rate risk is the risk that future cash flows of the Company’s assets and liabilities can change due to a change in interest rates. The company is not exposed to interest rate risk as all financial instruments that bear interest do so at a fixed rate of interest.

9. CONVERSION TO IFRS

9.1 Overview

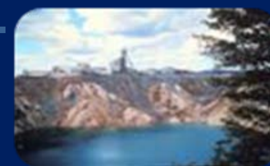
These are the Company’s first interim financial statements prepared in accordance with IAS 34 using accounting policies consistent with IFRS. Previously, the Company prepared its financial statements in accordance with Canadian GAAP. The accounting policies described in Note 2 are consistent with IFRS as expected to be effective on April 30, 2012, the Company’s first annual IFRS reporting date. These policies have been applied in the presentation of these unaudited interim financial statements, including all comparative information.

9.2 First-Time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). IFRS 1 requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was May 1, 2010 (the “Transition Date). IFRS 1 requires retrospective application of IFRS effective at the end of its first annual reporting period, which for the Company will be April 30, 2012.

9.3 Changes to Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS effective or available for early adoption on April 30, 2012, the Company's first annual IFRS reporting date. Adoption of IFRS has had no material impact on the Company’s statements of cash flows for the three months ended July 31, 2011 and the twelve months ended April 30, 2011. The changes to accounting policies and the impact on the Company’s financial statements are as follows:



(a) Share-based payment transactions

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case they are valued using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

Under Canadian GAAP, the fair value of stock-based awards to employees with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.

The Company's accounting policies relating to share-based payment transactions have been changed to reflect these differences. There is no impact on the financial statements.

(b) Impairment of (non-financial) Assets

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

The Company's accounting policies relating to impairment of non-financial assets have been changed to reflect these differences and there is no impact on the financial statements.

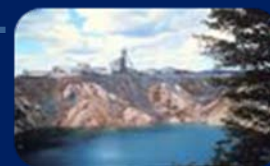
(c) Restoration, Rehabilitation and Environmental Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive restoration, rehabilitation, and environmental obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. Management has determined that it has no legal or constructive obligations and accordingly, there is no impact on the financial statements.

(d) Flow-through Shares

The Company will issue, from time to time, flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Under IFRS, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for



the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available. Under Canadian GAAP, the Company recorded the tax cost of expenditures renounced to subscribers on the date the deductions were renounced to the subscribers. Share capital was reduced and future income tax liabilities were increased by the tax cost of expenditures renounced to the subscribers, except that the amount was recognized as a tax recovery to the extent that suitable future tax assets were available. The Company's accounting policies relating to flow through shares have been changed to reflect these differences. There is no impact on the financial statements.

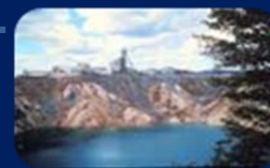
(e) Provisions

Under IFRS, a provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Under Canadian GAAP, a liability was recognized for legal obligations.

The Company's accounting policies relating to provisions has been changed to reflect this difference and there is no impact on the financial statements.

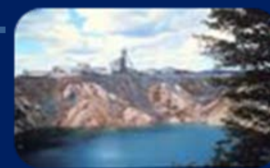
The Canadian GAAP statement of financial position as at May 1, 2010, has been reconciled to IFSR as follows:

	May 1, 2010		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
Assets			
Current Assents			
Cash & Cash Equivalents	67,578	-	67,578
Amounts Receivables	35,879	-	35,879
	103,447	-	103,447
Non-current Assets			
Exploration & Evaluation Assets (Note 4)	1,658,246	-	1,658,246
	1,761,693	-	1,761,693
Liabilities			
Current Liabilities			
Accounts Payable & Accrued Liabilities	490,490	-	490,490
Shareholders' Equity			
Share Capital (Note 5)	7,609,278	-	7,609,278
Warrants	-	538,136	-
Contributed Surplus	2,459,319	(538,136)	1,921,183
Deficit	(8,797,394)	-	(8,797,394)
	1,271,203	-	1,271,203
	1,761,693	-	1,761,693



The Canadian GAAP statement of financial position as at July 31, 2010, has been reconciled to IFSR as follows:

	July 31, 2010		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
Assets			
Current Assents			
Cash & Cash Equivalents	11,881	-	11,881
Amounts Receivables	36,423	-	36,423
	48,304	-	48,304
Non-current Assets			
Exploration & Evaluation Assets (Note 4)	1,658,246	-	1,658,246
	1,706,550	-	1,706,550
Liabilities			
Current Liabilities			
Accounts Payable & Accrued Liabilities	471,780	-	471,780
Shareholders' Equity			
Share Capital (Note 5)	7,609,278	-	7,609,278
Warrants	-	122,987	122,987
Contributed Surplus	2,459,319	(122,987)	2,336,332
Deficit	(8,833,827)	-	(8,833,827)
	1,234,770	-	1,234,770
	1,706,550	-	1,706,550



The Canadian GAAP statement of comprehensive income for the three months ended July 31, 2010, has been reconciled to IFSR as follows:

	Three Months July 31, 2010		
	Canadian GAAP	**Effect of Transition to IFRS**	**IFRS**
	$	**$**	**$**
Assets			
Current Assents			
Bank charges & interest	133	-	258
Consulting wages & benefits	24,000	-	24,000
Office & General	60	-	60
Filing & Transfer Agent Fees	1,611	-	1,611
Regulatory fees	1,177	-	1,177
Rent	9,327	-	9,327
	36,433	-	36,433
Net Loss and Comprehensive Loss	(36,433)	-	(36,433)