REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Three and six months ended January 31, 2012 and 2011

(Expressed in Canadian Dollars)

REMSTAR RESOURCES LTD.

(the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended January 31, 2012 and 2011

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The management of Remstar Resources Ltd. is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim consolidated financial statements and are in accordance with IAS 34 - Interim Financial Reporting.

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

March 26, 2012

REMSTAR RESOURCES LTD.
(An Exploration Stage Company)

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

	January 31, 2012	July 31, 2011 (Note 11)	August 1, 2010 (Note 11)
	$	$	$
ASSETS			
Current			
Cash and cash equivalents	134,682	415,037	306,273
Amounts receivable (note 8)	41,593	13,318	3,180
Prepaid expenses	20,773	21,246	21,101
Investments (note 3)	-	-	1,448,218
	197,048	449,601	1,778,772
Equipment (note 4)	10,624	16,316	39,829
Exploration and evaluation assets (note 5)	411,649	289,137	-
	619,321	755,054	1,818,601
LIABILITIES			
Current			
Accounts payable and accrued liabilities (notes 5 & 8)	59,057	81,714	86,659
Due to related parties (note 8)	-	-	6,395
Loans payable (note 6)	-	-	999,377
	59,057	81,714	1,092,431
SHAREHOLDERS' EQUITY			
Share capital (note 7)	12,095,210	12,070,825	11,709,181
Reserves (note 7)	780,691	945,587	1,893,836
Deficit	(12,315,637)	(12,343,072)	(12,876,847)
	560,264	673,340	726,170
	619,321	755,054	1,818,601

Nature of operations and going concern (note 1)
Commitments and contingencies (note 9)

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

REMSTAR RESOURCES LTD.
(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (Unaudited)
(Expressed in Canadian Dollars)

	Three months ended January 31,		Six months ended January 31,	
	2012	2011 (Note 11)	2012	2011 (Note 11)
	$	$	$	$
Administrative expenses:				
Consulting fees	13,050	4,050	24,450	10,444
Depreciation	620	1,764	1,211	3,526
Management fees (note 8)	16,200	16,200	32,400	32,400
Office, rent and administration (note 8)	5,239	17,720	10,742	22,605
Professional fees	1,250	3,034	1,250	5,545
Regulatory, transfer agent and shareholder information	991	22,582	9,419	25,444
Share-based payments	-	720	-	105,072
Travel, advertising and promotion	2,807	61,090	12,792	73,986
Wages and benefits (note 8)	8,540	16,048	26,369	40,806
	48,697	143,208	118,633	319,828
Loss before other items	(48,697)	(143,208)	(118,633)	(319,828)
Other items:				
Foreign exchange gain (loss)	346	(677)	2,093	(1,065)
Finance and other income	6,769	1,471	7,453	15,556
Finance and other costs	(415)	(468)	(602)	(765)
Impairment of equipment (note 4)	-	-	(5,080)	-
Gain on sale of investments	-	-	-	723,983
	6,700	326	3,864	737,709
Net earnings (loss) for the period	(41,997)	(142,882)	(114,769)	417,881
Other comprehensive income (loss):				
Cumulative translation adjustment	(645)	33	1,693	(426)
Total comprehensive earnings (loss) for the period	(42,642)	(142,849)	(113,076)	417,455
Earnings (loss) per share:				
Basic (Note 7(g))	-	-	-	0.01
Diluted (Note 7(g))	-	-	-	0.01

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

REMSTAR RESOURCES LTD.
(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
(Expressed in Canadian Dollars)

	Share capital		Reserves					Retained Earnings (Deficit)	Total shareholders' equity
	Common shares	Amount	Stock options	Foreign currency translation	Available for sale financial assets	Treasury shares	Total		
	#	$	$	$	$	$	$	$	$
Balance, August 1, 2010	**39,439,056**	**11,709,181**	**1,169,853**	**-**	**723,983**	**-**	**1,893,836**	**(12,876,847)**	**726,170**
Comprehensive earnings (loss) for the period	-	-	-	(426)	-	-	(426)	417,881	417,455
Exercise of options	220,000	73,265	(51,265)	-	-	-	(51,265)	-	22,000
Expired options	-	-	(332,119)	-	-	-	(332,119)	332,119	-
Gain on available-for-sale investments transferred to net earnings (loss)	-	-	-	-	(723,983)	-	(723,983)	-	(723,983)
Share-based payments	-	-	105,072	-	-	-	105,072	-	105,072
Balance, January 31, 2011	**39,659,056**	**11,782,446**	**891,541**	**(426)**	**-**	**-**	**891,115**	**(12,126,847)**	**546,714**
Comprehensive earnings (loss) for the period	-	-	-	438	-	-	438	(216,225)	(215,787)
Private placement	1,860,000	130,200	-	-	-	-	-	-	130,200
Share issue costs	-	(1,401)	-	-	-	-	-	-	(1,401)
Finder's fees	100,000	10,000	-	-	-	-	-	-	10,000
Escrow shares cancelled	(144,057)	(50,420)	-	-	-	50,420	50,420	-	-
Share issued for exploration and evaluation assets	2,000,000	200,000	-	-	-	-	-	-	200,000
Share-based payments	-	-	3,614	-	-	-	3,614	-	3,614
Balance, July 31, 2011	**43,474,999**	**12,070,825**	**895,155**	**12**		**50,420**	**945,587**	**(12,343,072)**	**673,340**
Comprehensive earnings (loss) for the period	-	-	-	1,693	-	-	1,693	(114,769)	(113,076)
Exercise of options	-	24,385	(24,385)	-	-	-	(24,385)	-	-
Expired options	-	-	(142,204)	-	-	-	(142,204)	142,204	-
Balance, January 31, 2012	**43,474,999**	**12,095,210**	**728,566**	**1,705**	**-**	**50,420**	**780,691**	**(12,315,637)**	**560,264**

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

REMSTAR RESOURCES LTD.
(An Exploration Stage Company)

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

	Six months ended January 31, 2012	2011
	$	$
Cash provided by (used in):		
Operating Activities:		
Net earnings (loss) for the period	(114,769)	417,881
Items not involving cash:		
Depreciation	1,211	3,526
Stock-based compensation	-	105,072
Foreign exchange gain (loss)	1,693	(426)
Impairment of equipment	5,080	-
Other income	(6,500)	-
Gain on sale of investments	-	(723,983)
	(113,285)	(197,930)
Changes in non-cash working capital balances:		
Amounts receivable	(28,275)	(126,126)
Prepaid expenses	473	202
Accounts payable and accrued liabilities	(25,907)	(35,140)
	(166,994)	(358,994)
Investing Activities:		
Purchase of equipment	(599)	-
Proceeds from disposal of investments	-	1,448,218
Exploration and evaluation assets	(112,762)	(51,000)
	(113,361)	1,397,218
Financing Activities:		
Due to related parties	-	(6,395)
Repayment of loans	-	(999,377)
Shares issued for cash	-	22,000
	-	(983,772)
Increase (decrease) in cash and cash equivalents during the period	(280,355)	54,452
Cash and cash equivalents, beginning of the period	415,037	306,273
Cash and cash equivalents, end of the period	134,682	360,725
Supplementary information:		
Non-cash financing activities:		
Reclassification of reserves on exercise of options	-	51,265

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

1. Nature of Operations and Going Concern

The Company was incorporated under the laws of the Province of British Columbia on November 3, 1993. The Company's shares are listed for trading on the TSX Venture Exchange ("Exchange").

The head office and principal address of the Company are located at Suite 507 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's records office and registered office address is located at Suite 1780 - 400 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A6.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts shown for resource properties are dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of its resource properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's resource properties. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

At January 31, 2012, the Company had not yet achieved profitable operations, has accumulated losses of $12,315,637 (July 31, 2011 - $12,343,072), working capital of $140,680 (July 31, 2011 - $367,887) and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. Management has estimated that the Company has adequate funds from existing working capital to meet its obligations for the next twelve months. The Company will require additional financing in the long term as it determines to acquire additional properties or accelerate its presently contemplated work programs and while the Company has been successful in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

In the event that cash flow from operations, if any, together with the proceeds for any future financings are insufficient to meet the Company's operating expenses, the Company will be required to re-evaluate its planned expenditures and allocate its total resources in such a manner as the Board of Directors and management deem to be in the Company's best interest. This may result in a substantial reduction of the scope of existing and planned operations.

These consolidated financial statements do not give effect to adjustments, which could be material, to the carrying values and classification of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. Basis of Presentation

The consolidated financial statements were authorized for issue on March 26, 2012 by the Directors of the Company. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's 2011 annual consolidated financial statements and unaudited interim consolidated financial statements for the three months ended October 31, 2011 and 2010 (note 2 describes the significant accounting policies utilized by the Company). These accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of Compliance and Adoption of International Financial Reporting Standards ("IFRS")

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" and IFRS 1, "First time adoption of International Financial Reporting Standards ("IFRS")" using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The condensed interim consolidated 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 July 31, 2011 prepared in accordance with Canadian Generally Accepted Accounting Principles ("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.

The impact of the conversion from GAAP to IFRS is explained in note 11. Note 11 includes reconciliations of the Company's condensed interim consolidated statements of financial position and statements of comprehensive income (loss) for comparative periods prepared in accordance with GAAP as previously reported to those prepared and reported in these unaudited condensed interim consolidated financial statements in accordance with IFRS.

(b) Basis of Presentation and Consolidation

The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted. The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned Mexican subsidiary, Promotora Minera Dialex S.A. de C.V. ("Dialex"). All intercompany balances and transactions have been eliminated on consolidation.

The condensed interim consolidated financial statements of the Company have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

(Expressed in Canadian Dollars)

3. Investments

The Company held an investment in non-bank Canadian asset-backed commercial paper ("ABCP"). This investment which had an original face value of $2,416,584 was included in investments at its estimated fair value of $1,448,218 as at July 31, 2010.

On January 21, 2009, the Pan-Canadian Committee of ABCP investors announced that the third-party ABCP restructuring plan had been implemented. Pursuant to the terms of the plan, holders of ABCP had their short-term commercial paper exchanged for longer-term notes which maturities match those of the assets previously contained in the underlying conduits. On closing of the restructuring, the Company exchanged its holdings of ABCP for $2.4 million of long-term floating rate notes from Master Asset Vehicle II ("MAV II") as follows:

MAV II Class A-1:	$	1,285,623
MAV II Class A-2:	$	809,555
MAV II Class B:	$	147,412
MAV II Class C:	$	70,081
MAV II Class 15:	$	103,913
	$	2,416,584

As at July 31, 2010, based on a fair value estimation of the recoverability of the investments designated as available-for-sale, the Company calculated the fair value of its holdings as $1,460,826 and recorded an unrealized gain of $723,983 in other comprehensive income for the year ended July 31, 2010. The Company received $12,608 in interest and capital redemption receipts during the year ended July 31, 2010 and this was recognized as a credit to the estimated fair value of the asset on the balance sheet as at July 31, 2010. The fair value adjustments, combined with the return of capital, reduced the carrying value of the notes to $1,448,218.

During the year ended July 31, 2011, the Company disposed of its ABCP holdings for proceeds of $1,460,827 and recorded a gain of $723,983.

(Expressed in Canadian Dollars)

4. Equipment

	Computer hardware	Motorcycles	Office equipment	Total
	$	$	$	$
Costs:				
Balance, August 1, 2010	23,433	11,977	41,715	77,125
Additions	910	-	-	910
Balance, July 31, 2011	24,343	11,977	41,715	78,035
Additions	-	-	599	599
Balance, January 31, 2012	24,343	11,977	42,314	78,634
Depreciation:				
Balance, August 1, 2010	14,499	3,210	19,587	37,296
Depreciation	2,730	718	3,748	7,196
Balance, July 31, 2011	17,229	3,928	23,335	44,492
Depreciation	173	-	1,038	1,211
Balance, January 31, 2012	17,402	3,928	24,373	45,703
Impairment:				
Balance, August 1, 2010	-	-	-	-
Impairment	880	8,049	8,298	17,227
Balance, July 31, 2011	880	8,049	8,298	17,227
Impairment	5,080	-	-	5,080
Balance, January 31, 2012	5,960	8,049	8,298	22,307
Net Book Value:				
August 1, 2010	8,934	8,767	22,128	39,829
July 31, 2011	6,234	-	10,082	16,316
January 31, 2012	981	-	9,643	10,624

During the six months ended January 31, 2012, the Company wrote-off certain equipment in Canada. As a result, an impairment loss of $5,080 was recognized during the six months ended January 31, 2012.

During the year ended July 31, 2011, the Company wrote-off its equipment held under Dialex. As a result, an impairment loss of $17,227 was recognized during the year ended July 31, 2011.

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

	Snip and Seebach, British Columbia
	$
Balance, August 1, 2010	-
Acquisition and option payments:	
Cash consideration	52,500
Common shares	221,000
	273,500
Exploration:	
Property maintenance costs	15,637
Balance, July 31, 2011	289,137
Exploration:	
Geology	76,855
Geophysics	14,250
Mineral concession fees	10,094
Travel and accommodation	21,313
	122,512
Balance, January 31, 2012	411,649

During the year ended July 31, 2011, the Company entered into an option agreement dated January 12, 2011 to acquire a 60% interest in the Snip and Seebach properties (the "Properties") located in British Columbia. Under the terms of the agreement, the Company may earn a 60% interest in the Properties by making cash payments of $250,000 and incurring $5,000,000 in exploration expenditures over a period of four years.

On June 17, 2011, the Company renegotiated the terms of the option agreement to acquire a 100% interest in the Properties by paying $50,000, issuing an aggregate of 4,000,000 common shares over two years and incurring exploration expenditures of $850,000 over three years as follows:

	Cash	Common shares	Exploration expenditures
	$	#	$
On execution of option agreement	50,000 (paid)	-	-
Upon Exchange acceptance	-	2,000,000 (issued)	-
On or before June 17, 2012	-	1,000,000	150,000
On or before June 17, 2013	-	1,000,000	350,000
On or before June 17, 2014	-	-	350,000
	50,000	4,000,000	850,000

5. Exploration and Evaluation Assets – (continued)

The property is subject to a 2% net smelter royalty.

Pursuant to a finder's fee agreement dated November 10, 2010, the Company agreed to pay a finder's fee of $2,500 and 200,000 common shares of the Company related to this acquisition. During the year ended July 31, 2011, the Company paid $2,500 and issued 100,000 common shares at a fair value of $10,000. Recorded in accounts payable and accrued liabilities at January 31, 2012 was $4,500 (July 31, 2011 - $11,000) which represents the fair value of the remaining 100,000 shares to be issued as at January 31, 2012.

6. Loans Payable

The Company negotiated a $1,000,000 credit line facility with an arm's length party which is secured by certain assets of the Company. As at January 31, 2012, $nil (July 31, 2011- $nil, Aug 1, 2010 - $999,377) had been drawn against this credit facility. The repayment of the credit facility is dependent upon sale of certain assets of the Company. During the year ended July 31, 2011, the credit facility was repaid in full.

7. Share Capital and Reserves

a) Authorized

Unlimited number of voting common shares without par value.

b) Issued

At January 31, 2012, there were 43,474,999 issued and fully paid common shares (July 31, 2011 – 43,474,999; August 1, 2010 – 39,439,056).

c) Share Issuances

(i) On July 28, 2011, the Company closed a non-brokered private placement of 1,860,000 flow-through units at $0.07 per unit for gross proceeds of $130,200. Each flow-through unit consists of one common share and one-half of one common share purchase warrant entitling the holder to acquire an additional common share at $0.10 per share on or before July 28, 2016 (note 8(a)).

(ii) During the year ended July 31, 2011, 220,000 stock options at $0.10 per share were exercised and an aggregate of 220,000 common shares were issued for total proceeds of $22,000. A reclassification of $51,265 from reserves to share capital was recorded on the exercise of these options.

(Expressed in Canadian Dollars)

7. Share Capital and Reserves - (continued)

d) Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, officers, employees and consultants for up to a maximum of 10% of the issued and outstanding common stock of the Company. The exercise price (less any discounts permitted by regulatory policies and determined by the directors at the time of grant) under each option shall be the market price of the Company's stock at the date of grant. The options granted during the year ended July 31, 2011 vest immediately as determined by the Board of Directors or as to 25.0% on the date of the grant and 12.5% every three months thereafter for a total vesting period of 18 months.

A summary of the status of the options outstanding follows:

	Number of Options	Weighted Average Exercise Price
	#	$
Balance, August 1, 2010	3,580,000	0.10
Granted	1,115,000	0.10
Exercised	(220,000)	0.10
Cancelled	(755,000)	0.10
Balance, July 31, 2011	3,720,000	0.10
Cancelled	(750,000)	0.10
Balance, January 31, 2012	2,970,000	0.10

Stock options outstanding and exercisable at January 31, 2012 are as follows:

Number of Outstanding	Exercise Price	Expiry Date	Number Exercisable
125,000	$0.10	August 9, 2016	125,000
50,000	$0.10	April 26, 2017	50,000
170,000	$0.10	April 17, 2018	170,000
520,000	$0.10	May 20, 2018	520,000
185,000	$0.10	June 2, 2018	185,000
75,000	$0.10	June 12, 2018	75,000
265,000	$0.10	February 4, 2019	265,000
350,000	$0.10	February 18, 2019	350,000
250,000	$0.10	December 1, 2019	250,000
980,000	$0.10	October 12, 2020	980,000
2,970,000			2,970,000

(Expressed in Canadian Dollars)

7. Share Capital and Reserves - (continued)

d) Stock Options – (continued)

During the six months ended January 31, 2012, the Company recognized share-based compensation expense of $nil (2011 - $105,072) for stock options vested during the period.

The fair value of stock options used to calculate compensation expense has been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2012	2011
Risk free interest rate	-	1.46%
Expected life of options	-	3.58 years
Expected dividend yield	-	0%
Expected stock price volatility	-	136.77%
Fair value of options per share	-	$0.08

e) Warrants

Each whole warrant entitles the holder to purchase one common share of the Company.

	Number of Warrants	Weighted Average Exercise Price
	#	$
Balance, August 1, 2010	-	-
Granted	930,000	0.10
Balance, July 31, 2011 and January 31, 2012	930,000	0.10

Warrants outstanding at January 31, 2012 are as follows:

Number of Outstanding	Exercise Price	Expiry Date
930,000	$0.10	July 28, 2016

(Expressed in Canadian Dollars)

7. Share Capital and Reserves - (continued)

f) Escrow

As at October 31, 2011, nil (July 31, 2011 – nil; August 1, 2010 - 144,057) shares were held in escrow. On February 28, 2011, the 144,057 common shares held in escrow were cancelled and returned to treasury.

g) Earnings (Loss) per Share

	Three months ended January 31,		Six months ended January 31,	
	2012	2011	2012	2011
	$	$	$	$
Earnings (Loss) Per Share				
Basic	-	-	-	0.01
Diluted	-	-	-	0.01
Earnings (Loss) for the Period	(42,308)	(142,882)	(115,080)	417,881
	#	#	#	#
Weighted Average Number of Shares				
Basic	43,474,999	39,616,230	43,474,999	39,527,643
Diluted	43,474,999	39,616,230	43,474,999	40,348,287

8. Related Party Transactions

a) Related party transactions

i) The Company incurred the following transactions with a company that is controlled by an officer of the Company:

	Three months ended January 31,		Six months ended January 31,	
	2012	2011	2012	2011
	$	$	$	$
Legal fees	250	3,007	250	4,008

(Expressed in Canadian Dollars)

8. Related Party Transactions – (continued)

a) Related party transactions – (continued)

ii) The Company recovered expenses from companies having directors and offices in common:

	Three months ended January 31,		Six months ended January 31,	
	2012	2011	2012	2011
	$	$	$	$
Office, rent and administration	73,200	49,500	127,600	97,100

b) Compensation of key management personnel

The Company's key management personnel has authority and responsibility for planning, directing and controlling the activities of the Company and consists of its Directors, Chief Executive Officer and Chief Financial Officer.

	Three months ended January 31,		Six months ended January 31,	
	2012	2011	2012	2011
	$	$	$	$
Short-term benefits - management fees	16,200	32,400	16,200	32,400
Share-based compensation	-	720	-	60,212
	16,200	33,120	16,200	92,612

c) Related party balances

The following related party amounts were included in (i) accounts payable and accrued liabilities, (ii) due to related parties and (iii) amounts receivable:

	January 31, 2012	July 31, 2011	August 1, 2010
	$	$	$
Companies having directors and officers in common *(i)*	9,000	9,000	19,304
Companies controlled by a director and an officer of the Company *(ii)*	-	-	6,395
Companies having directors and officers in common *(iii)*	33,600	9,826	-

These transactions are in the normal course of operations and are measured at the fair value amount of consideration established and agreed to by the related parties. Any amounts due to related parties are unsecured, non-interest bearing and have no specific repayment terms.

(Expressed in Canadian Dollars)

9. Commitments and Contingencies

a) Contingency

The Company is committed to incur $130,200 in qualifying resource expenditures pursuant to a private placement for which flow-through proceeds have been received (note 7(c)). As at January 31, 2012, the Company incurred qualifying resource expenditures of $118,512.

The Company renounced the tax benefits of Canadian exploration expenditures as at December 31, 2011. As at January 31, 2012, the Company had sufficient deferred tax assets, primarily loss carry-forwards, to reduce the tax effect of the renunciation to $nil.

b) Operating lease commitment

The Company is committed to future minimum annual lease payments with respect to office leases expiring January 31, 2015, as follows:

	$
2012	73,259
2013	74,470
2014	75,491
2015	38,256
	261,476

10. Segmented Information

The Company operated in the following geographic segments at January 31, 2012:

January 31, 2012	Canada	Mexico	Total
	$	$	$
Total assets	619,321	-	619,321

July 31, 2011	Canada	Mexico	Total
	$	$	$
Total assets	755,054	-	755,054

August 1, 2010	Canada	Mexico	Total
	$	$	$
Total assets	1,799,175	19,426	1,818,601

(Expressed in Canadian Dollars)

10. Segmented Information – (continued)

	Three months ended January 31, 2012			Six months ended January 31, 2012		
	Canada	Mexico	Total	Canada	Mexico	Total
	$	$	$	$	$	$
Finance and other income	6,769	-	6,769	7,453	-	7,453
Net earnings (loss) for the period	(41,997)	-	(41,997)	(114,769)	-	(114,769)
Cumulative translation adjustment	(645)	-	(645)	1,693	-	1,693
Total comprehensive earnings (loss) for the period	(42,642)	-	(42,642)	(113,076)	-	(113,076)

	Three months ended January 31, 2011			Six months ended January 31, 2011		
	Canada	Mexico	Total	Canada	Mexico	Total
	$	$	$	$	$	$
Finance and other income	1,471	-	1,471	15,556	-	15,556
Net earnings (loss) for the period	(142,332)	(550)	(142,882)	418,977	(1,096)	417,881
Cumulative translation adjustment	33	-	33	(426)	-	(426)
Total comprehensive earnings (loss) for the period	(142,299)	(550)	(142,849)	418,551	(1,096)	417,455

11. Conversion to IFRS

The Company adopted IFRS on August 1, 2011, with the transition date of August 1, 2010 representing the Company's opening IFRS balance sheet. As required by IFRS 1, First-time Adoption of IFRS, the Company will apply the IFRS in effect as at July 31, 2012 on a full retrospective basis, except where permitted or required under an IFRS 1 exemption.

On adoption of IFRS 1, the Company elected to apply the following exemptions:

IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply

11. Conversion to IFRS – (continued)

IFRS 2 to awards that vested prior to August 1, 2010 (date of transition date to IFRS), which have been accounted for in accordance with GAAP.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening balance sheet dated August 1, 2010:

Estimates - In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as at August 1, 2010 were consistent with its previous estimates under GAAP for the same date.

In preparing its IFRS condensed consolidated financial statements, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from previous GAAP to IFRS affected the Company's financial position and results is set out in the following notes and accompanying tables.

(a) Reserves

Under GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified within equity as either stock option or warrant reserves.

(b) Share-based payments

Under GAAP, the Company recognized an expense related to share-based payments on a straight-line basis through the date of full vesting and did not incorporate a forfeiture multiple on the grant date. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate.

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the transition date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding equity instruments that were unvested as at August 1, 2010. Accordingly, upon transition to IFRS, the Company recorded a fair value adjustment of $6,917 as at August 1, 2010 to decrease reserves with a corresponding decrease in deficit. In addition to the August 1, 2010 adjustment, the IFRS adjustments subsequent to transition increased reserves and net loss by $8,630 for the year ended July 31, 2011 and by $43,676 for the six months ended January 31, 2011.

11. Conversion to IFRS – (continued)

(c) Flow-through shares

Under GAAP, the full proceeds received from the issuance of the flow-through shares was recorded to share capital and a share issuance expense related to the deferred tax liability was recorded at the time the eligible expenditures were renounced to investors.

Under IFRS, the premium paid for flow-through shares in excess of the value of common shares with no flow-through feature is credited to a deferred liability account. As eligible expenditures are incurred, the deferred gain is amortized into earnings for the period.

Additionally, as it is the Company's policy to capitalize mineral property expenditures, a deferred tax liability and expense are recorded as the eligible expenditures are incurred and renounced to the flow-through shareholders. At the same time as the deferred tax liability is recorded, the Company releases a corresponding amount of its deferred income tax asset valuation allowance resulting in an equal and offsetting reduction to the deferred tax liability and expense.

The transition had no impact on the Company's previously reported consolidated financial statements at July 31, 2011. The Company had no flow-through shares transaction at August 1, 2010 and January 31, 2011.

(d) Forfeited or expired options and warrants

Under GAAP, the Company's policy was to leave the value recorded for forfeited or expired unexercised stock options and warrants in contributed surplus.

On transition to IFRS, the Company elected to change its accounting policy for the treatment of forfeited or expired unexercised options and warrants whereby amounts recorded for forfeited or expired unexercised stock options and warrants are transferred to deficit or share capital, respectively.

Accordingly, upon conversion to IFRS, the value assigned to forfeited options of $534,334 and warrants of $91,740 had been reclassified from reserves to deficit and share capital, respectively, as at August 1, 2010. In addition to the August 1, 2010 adjustment, the value assigned to forfeited options of $332,119 had been reclassified from reserves to deficit as at January 31, 2011 and July 31, 2011.

(e) Functional currency and cumulative translation adjustment account

Under GAAP, the Company determines whether a subsidiary is an integrated operation or a self-sustaining entity which determines the method of translation into the presentation currency of the Company. IFRS requires that an entity determine the functional currency of each subsidiary individually, prior to consolidation into the Company's presentation currency.

11. Conversion to IFRS – (continued)

(e) Functional currency and cumulative translation adjustment account – (continued)

The Company determined that its subsidiary had a functional currency other than the Canadian dollar, which under GAAP had been classified as being integrated operations. The subsidiary under GAAP was consolidated using the temporal method (i.e. monetary assets and liabilities translated at the current rate and non-monetary assets and liabilities at historic exchange rates with gains or losses being charged to income), whereas under IFRS the entity with non-Canadian dollar functional currency is translated to Canadian dollar using the current rate method (whereby all assets and liabilities are translated using the reporting date exchange rates with any gains or losses recorded in equity).

The Company elected to take the IFRS 1 exemption to deem cumulative translation adjustments to be zero at the date of transition to IFRS. Hence, all existing currency translation adjustment ("CTA") balances and the impact of the above adjustments as of August 1, 2010 were recorded against the brought forward deficit.

For the year ended July 31, 2011, the impact was an increase in net loss by $12, offset by a charge to CTA and for the six months ended January 31, 2011, the impact was a decrease in net loss by $426.

(Expressed in Canadian Dollars)

11. Conversion to IFRS – (continued)

IFRS Reconciliation of Statements of Financial Position

		As at August 1, 2010			As at January 31, 2011			As at July 31, 2011		
	Note	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**	GAAP	Effect of Conversion to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Assets										
Current										
Cash and cash equivalents		306,273	-	**306,273**	360,725	-	**360,725**	415,037	-	**415,037**
Amounts receivable		3,180	-	**3,180**	129,306	-	**129,306**	13,318	-	**13,318**
Prepaid expenses		21,101	-	**21,101**	20,899	-	**20,899**	21,246	-	**21,246**
Investments		1,448,218	-	**1,448,218**	-	-	**-**	-	-	**-**
		1,778,772	-	**1,778,772**	510,930	-	**510,930**	449,601	-	**449,601**
Equipment		39,829	-	**39,829**	36,303	-	**36,303**	16,316	-	**16,316**
Exploration and evaluation assets		-	-	**-**	51,000	-	**51,000**	289,137	-	**289,137**
		39,829	-	**39,829**	87,303	-	**87,303**	305,453	-	**305,453**
		1,818,601	**-**	**1,818,601**	598,233	**-**	**598,233**	755,054	**-**	**755,054**
Liabilities and Shareholders' Equity										
Current										
Accounts payable and accrued liabilities		86,659	-	**86,659**	51,519	-	**51,519**	81,714	-	**81,714**
Due to related parties		6,395	-	**6,395**	-	-	**-**	-	-	**-**
Loans payable		999,377	-	**999,377**	-	-	**-**	-	-	**-**
		1,092,431	-	**1,092,431**	51,519	-	**51,519**	81,714	-	**81,714**
Shareholders' equity										
Share capital	(d)	11,617,441	91,740	**11,709,181**	11,690,706	91,740	**11,782,446**	11,979,085	91,740	**12,070,825**
Reserves	(a)(b)	-	1,893,836	**1,893,836**	-	891,115	**891,115**	-	945,587	**945,587**
Contributed surplus	(a)(b)(d)	1,802,844	(1,802,844)	**-**	1,812,975	(1,812,975)	**-**	1,902,055	(1,902,055)	**-**
Accumulated other comprehensive income	(a)	723,983	(723,983)	**-**	-	-	**-**	-	-	**-**
Deficit	(b)(d)	(13,418,098)	541,251	**(12,876,847)**	(12,956,967)	830,120	**(12,126,847)**	(13,207,800)	864,728	**(12,343,072)**
		726,170	-	**726,170**	546,714	-	**546,714**	673,340	-	**673,340**
		1,818,601	**-**	**1,818,601**	598,233	**-**	**598,233**	755,054	**-**	**755,054**

(Expressed in Canadian Dollars)

11. Conversion to IFRS – (continued)

Reconciliation of Statements of Income (Loss) and Comprehensive Income (Loss)

		Three months ended January 31, 2011			Six months ended January 31, 2011			Year ended July 31, 2011		
	Note	GAAP	Effect of Transition to IFRS	**IFRS**	GAAP	Effect of Transition to IFRS	**IFRS**	GAAP	Effect of Transition to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
Expenses										
Depreciation		1,764	-	**1,764**	3,526	-	**3,526**	7,196	-	**7,196**
Consulting fees		4,050	-	**4,050**	10,444	-	**10,444**	33,544	-	**33,544**
Management fees		16,200	-	**16,200**	32,400	-	**32,400**	64,800	-	**64,800**
Office, rent and administration		17,720	-	**17,720**	22,605	-	**22,605**	36,474	-	**36,474**
Professional fees		3,034	-	**3,034**	5,545	-	**5,545**	24,389	-	**24,389**
Regulatory, transfer agent and shareholder information		22,582	-	**22,582**	25,444	-	**25,444**	41,353	-	**41,353**
Share-based payments	(b)	8,774	(8,054)	**720**	61,396	43,676	**105,072**	100,056	8,630	**108,686**
Travel, advertising and promotion		61,090	-	**61,090**	73,986	-	**73,986**	111,941	-	**111,941**
Wages and benefits		16,048	-	**16,048**	40,806	-	**40,806**	89,267	-	**89,267**
		151,262	(8,054)	**143,208**	276,152	43,676	**319,828**	509,020	8,630	**517,650**
Other Items										
Finance income		1,471	-	**1,471**	15,556	-	**15,556**	16,737	-	**16,737**
Finance and other costs		(468)	-	**(468)**	(765)	-	**(765)**	(1,152)	-	**(1,152)**
Foreign exchange loss	(e)	(644)	(33)	**(677)**	(1,491)	426	**(1,065)**	(3,023)	(12)	**(3,035)**
Impairment of equipment		-	-	**-**	-	-	**-**	(17,227)	-	**(17,227)**
Gain on sale of investments		-	-	**-**	723,983	-	**723,983**	723,983	-	**723,983**
		359	(33)	**326**	737,283	426	**737,709**	719,318	(12)	**719,306**
Net earnings (loss) for the period		(150,903)	8,021	**(142,882)**	461,131	(43,250)	**417,881**	210,298	(8,642)	**201,656**
Other comprehensive income (loss)										
Cumulative translation adjustment	(e)	-	33	**33**	-	(426)	**(426)**	-	12	**12**
Total comprehensive earnings (loss) for the period		(150,903)	8,054	**(142,849)**	461,131	(43,676)	**417,455**	210,298	(8,630)	**201,668**

(Expressed in Canadian Dollars)

11. Conversion to IFRS – (continued)

Reconciliation of Statements of Cash Flow

		Six months ended January 31, 2011			Year ended July 31, 2011		
	Note	GAAP	Effect of Transition to IFRS	**IFRS**	GAAP	Effect of Transition to IFRS	**IFRS**
		$	$	**$**	$	$	**$**
Operating Activities							
Net earnings (loss) for the period		461,131	(43,250)	**417,881**	210,298	(8,642)	**201,656**
Adjustments for non-cash items							
Depreciation		3,526	-	**3,526**	7,196	-	**7,196**
Share-based payments	(b)	61,396	43,676	**105,072**	100,056	8,630	**108,686**
Impairment of equipment		-	-	**-**	17,227	-	**17,227**
Gain on sale of investments		(723,983)	-	**(723,983)**	(723,983)	-	**(723,983)**
Foreign exchange gain (loss)	(e)	-	(426)	**(426)**	-	12	**12**
Changes in Non-Cash Working Capital Items							
Amounts receivable		(126,126)	-	**(126,126)**	(10,138)	-	**(10,138)**
Prepaid expenses		202	-	**202**	(145)	-	**(145)**
Accounts payable and accrued liabilities		(35,140)	-	**(35,140)**	(15,945)	-	**(15,945)**
		(358,994)	-	**(358,994)**	(415,434)	-	**(415,434)**
Investing Activities							
Proceeds from disposal of investments		1,448,218	-	**1,448,218**	1,448,218	-	**1,448,218**
Purchase of equipment		-	-	**-**	(910)	-	**(910)**
Exploration and evaluation assets		(51,000)	-	**(51,000)**	(68,137)	-	**(68,137)**
		1,397,218	-	**1,397,218**	1,379,171	-	**1,379,171**
Financing Activities							
Due to related parties		(6,395)	-	**(6,395)**	(6,395)	-	**(6,395)**
Repayment of loans		(999,377)	-	**(999,377)**	(999,377)	-	**(999,377)**
Shares issued for cash		22,000	-	**22,000**	150,799	-	**150,799**
		(983,772)	-	**(983,772)**	(854,973)	-	**(854,973)**
Increase (decrease) in cash and cash equivalents		54,452	-	**54,452**	108,764	-	**108,764**
Cash and cash equivalents, beginning of period		306,273	-	**306,273**	306,273	-	**306,273**
Cash and cash equivalents, end of period		360,725	-	**360,725**	415,037	-	**415,037**