

**REMSTAR RESOURCES LTD.**

**(An Exploration Stage Company)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Three and nine months ended April 30, 2012 and 2011**

**(Expressed in Canadian Dollars)**

**REMSTAR RESOURCES LTD.**

**(the “Company”)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Three and nine months ended April 30, 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.

June 18, 2012

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

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

	April 30, 2012	July 31, 2011 (Note 11)	August 1, 2010 (Note 11)
	\$	\$	\$
<b>ASSETS</b>			
Current			
Cash and cash equivalents	52,173	415,037	306,273
Amounts receivable (note 8)	74,787	13,318	3,180
Prepaid expenses	21,563	21,246	21,101
Investments (note 3)	-	-	1,448,218
	148,523	449,601	1,778,772
Equipment (note 4)	10,018	16,316	39,829
	158,541	465,917	1,818,601
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities (notes 5 & 8)	57,224	81,714	93,054
Loans payable (note 6)	-	-	999,377
	57,224	81,714	1,092,431
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (note 7)	12,095,210	12,070,825	11,709,181
Reserves (note 7)	791,250	945,575	1,893,836
Deficit	(12,785,143)	(12,632,197)	(12,876,847)
	101,317	384,203	726,170
	158,541	465,917	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 Comprehensive Income (Loss) (Unaudited)  
(Expressed in Canadian Dollars)

	Three months ended April 30,		Nine months ended April 30,	
	2012	2011	2012	2011
		(Note 11)		(Note 11)
	\$	\$	\$	\$
Expenses:				
Consulting fees	18,517	11,250	42,967	21,694
Depreciation	606	1,764	1,817	5,290
Exploration and evaluation (note 5)	10,000	(1,000)	132,512	50,000
Management fees (note 8)	16,200	16,200	48,600	48,600
Office, rent and administration (note 8)	(2,134)	3,544	8,609	26,149
Professional fees	604	1,344	1,854	6,889
Regulatory, transfer agent and shareholder information	8,025	14,200	17,444	39,644
Share-based payments	12,264	358	12,264	105,430
Travel, advertising and promotion	8,581	31,929	21,373	105,915
Wages and benefits (note 8)	(16,159)	3,412	10,210	44,218
Loss before other items	(56,504)	(83,001)	(297,650)	(453,829)
Other items:				
Foreign exchange gain (loss)	(466)	(1,319)	3,320	(2,810)
Finance and other income	(2,368)	722	5,085	16,278
Finance and other costs	(223)	(190)	(825)	(955)
Impairment of equipment (note 4)	-	-	(5,080)	-
Gain on sale of investments	-	-	-	723,983
	(3,057)	(787)	2,500	736,496
Net earnings (loss) and total comprehensive earnings (loss) for the period	(59,561)	(83,788)	(295,150)	282,667
Earnings (loss) per share:				
Basic (Note 7(g))	-	-	(0.01)	0.01
Diluted (Note 7(g))	-	-	(0.01)	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	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
Net earnings and comprehensive earnings for the period	-	-	-	-	-	-	282,667	282,667
Exercise of options	220,000	73,265	(51,265)	-	-	(51,265)	-	22,000
Escrow shares cancelled	(144,057)	(50,420)	-	-	50,420	50,420	-	-
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	-	-	105,430	-	-	105,430	-	105,430
Balance, April 30, 2011	39,514,999	11,732,026	891,899	-	50,420	942,319	(12,262,061)	412,284
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(370,136)	(370,136)
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
Share issued for exploration and evaluation	2,000,000	200,000	-	-	-	-	-	200,000
Share-based payments	-	-	3,256	-	-	3,256	-	3,256
Balance, July 31, 2011	43,474,999	12,070,825	895,155	-	50,420	945,575	(12,632,197)	384,203
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(295,150)	(295,150)
Exercise of options	-	24,385	(24,385)	-	-	(24,385)	-	-
Share-based payments	-	-	12,264	-	-	12,264	-	12,264
Expired options	-	-	(142,204)	-	-	(142,204)	142,204	-
Balance, April 30, 2012	43,474,999	12,095,210	740,830	-	50,420	791,250	(12,785,143)	101,317

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)

	Nine months ended April 30,	
	2012	2011
	\$	\$
Cash provided by (used in):		
Operating Activities:		
Net earnings (loss) for the period	(295,150)	282,667
Items not involving cash:		
Depreciation	1,817	5,290
Share-based payments	12,264	105,430
Impairment of equipment	5,080	-
Other income	(4,000)	-
Gain on sale of investments	-	(723,983)
	(279,989)	(330,596)
Changes in non-cash working capital balances:		
Amounts receivable	(61,469)	(38,435)
Prepaid expenses	(317)	(15,750)
Accounts payable and accrued liabilities	(20,490)	(30,692)
	(362,265)	(415,473)
Investing Activities:		
Purchase of equipment	(599)	-
Proceeds from disposal of investments	-	1,448,218
	(599)	1,448,218
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	(362,864)	48,973
Cash and cash equivalents, beginning of the period	415,037	306,273
Cash and cash equivalents, end of the period	52,173	355,246
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.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

---

## 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.

These financial statements have been prepared using accounting policies applicable to a going concern which contemplate the realization of assets and settlement of liabilities in the normal course of business. At April 30, 2012, the Company had not yet achieved profitable operations, had accumulated losses of \$12,785,143 (July 31, 2011 - \$12,632,197), working capital of \$91,299 (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.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

---

## 2. Basis of Presentation

The consolidated financial statements were authorized for issue on June 18, 2012 by the Directors of the Company. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's 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 34, Interim Financial Reporting ("IAS 34") 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 of the International Financial Reporting 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 disclosures related to the transition from GAAP to IFRS are included in note 11 to these financial statements. Note 11 contains reconciliations and descriptions of the effect of the transition from GAAP to IFRS on previously reported statements of financial position as at July 31, 2011 and August 1, 2010 and statements of loss and comprehensive loss and statements of cash flows for the three and nine months ended April 30, 2011 and year ended July 31, 2011. The first date at which IFRS was applied was August 1, 2010.

### (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.



# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

---

### 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:	<u>\$ 103,913</u>
	<u>\$ 2,416,584</u>

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.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

## 4. Equipment

	Computer hardware	Motorcycles	Office equipment	Total
	\$	\$	\$	\$
<b>Costs:</b>				
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, April 30, 2012	24,343	11,977	42,314	78,634
<b>Depreciation:</b>				
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	259	-	1,558	1,817
Balance, April 30, 2012	17,488	3,928	24,893	46,309
<b>Impairment:</b>				
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, April 30, 2012	5,960	8,049	8,298	22,307
<b>Net Book Value:</b>				
August 1, 2010	8,934	8,767	22,128	39,829
July 31, 2011	6,234	-	10,082	16,316
April 30, 2012	895	-	9,123	10,018

During the nine months ended April 30, 2012, the Company wrote-off certain equipment in Canada. As a result, an impairment loss of \$5,080 was recognized during the nine months ended April 30, 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.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

## 5. Exploration and Evaluation

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

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 April 30, 2012 was \$7,000 (July 31, 2011 - \$11,000) which represents the fair value of the remaining 100,000 shares to be issued as at April 30, 2012.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

## 5. Exploration and Evaluation Assets – (continued)

Expenditures incurred by the Company on the Properties are summarized as follows:

	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
	289,137
Balance, July 31, 2011	289,137
Exploration:	
Geology	84,855
Geophysics	16,250
Mineral concession fees	10,094
Travel and accommodation	21,313
	132,512
	421,649
Balance, April 30, 2012	421,649

## 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 April 30, 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 April 30, 2012, there were 43,474,999 issued and fully paid common shares (July 31, 2011 – 43,474,999; August 1, 2010 – 39,439,056).

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

---

## 7. Share Capital and Reserves - (continued)

### 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.

### 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
Granted	1,375,000	0.10
Cancelled	(750,000)	0.10
Balance, April 30, 2012	4,345,000	0.10

---

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

## 7. Share Capital and Reserves - (continued)

### d) Stock Options – (continued)

Stock options outstanding and exercisable at April 30, 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
1,375,000	\$0.10	April 26, 2017	343,750
4,345,000			3,313,750

During the nine months ended April 30, 2012, the Company recorded share-based payments of \$12,264 (2011 - \$105,430) for the fair value of stock options granted and vested during the period. The weighted average fair value of options granted during the nine months ended April 30, 2012 was \$0.04 (2011 - \$0.08) per option.

The fair values of stock options granted were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2012	2011
Risk free interest rate	1.39%	1.88%
Expected life of options	3.29 years	5.58 years
Expected dividend yield	0%	0%
Expected stock price volatility	106.17%	119.06%

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

## 7. Share Capital and Reserves - (continued)

### 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 April 30, 2012	930,000	0.10

Warrants outstanding at April 30, 2012 are as follows:

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

### f) Escrow

As at April 30, 2012, 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 April 30,		Nine months ended April 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Earnings (Loss) Per Share				
Basic	-	-	(0.01)	0.01
Diluted	-	-	(0.01)	0.01
Earnings (Loss) for the Period	(59,561)	(83,788)	(295,150)	282,667
	#	#	#	#
Weighted Average Number of Shares				
Basic	43,474,999	39,514,999	43,474,999	39,514,999
Diluted	43,474,999	39,514,999	43,474,999	40,358,412

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

## 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 April 30,		Nine months ended April 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Legal fees	352	502	602	4,510

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

	Three months ended April 30,		Nine months ended April 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Office, rent and administration	81,000	56,700	208,600	153,800

### 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 April 30,		Nine months ended April 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Short-term benefits - management fees	16,200	16,200	48,600	48,600
Share-based compensation	3,984	358	3,984	60,570
	20,184	16,558	52,584	109,170



# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

## 8. Related Party Transactions – (continued)

### 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:

	April 30, 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)	67,200	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.

## 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 April 30, 2012, the Company incurred qualifying resource expenditures of \$128,512.

The Company renounced the tax benefits of Canadian exploration expenditures as at December 31, 2011. As at April 30, 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

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

## 10. Segmented Information

The Company operated in the following geographic segments at April 30, 2012:

<b>April 30, 2012</b>	Canada	Mexico	Total
	\$	\$	\$
Total assets	158,541	-	158,541

<b>July 31, 2011</b>	Canada	Mexico	Total
	\$	\$	\$
Total assets	465,917	-	465,917

<b>August 1, 2010</b>	Canada	Mexico	Total
	\$	\$	\$
Total assets	1,799,175	19,426	1,818,601

	Three months ended April 30, 2012			Nine months ended April 30, 2012		
	Canada	Mexico	Total	Canada	Mexico	Total
	\$	\$	\$	\$	\$	\$
Finance and other income	(2,368)	-	(2,368)	5,085	-	5,085
Net earnings (loss) and total comprehensive earnings (loss) for the period	(59,953)	392	(59,561)	(297,235)	2,085	(295,150)

	Three months ended April 30, 2011			Nine months ended April 30, 2011		
	Canada	Mexico	Total	Canada	Mexico	Total
	\$	\$	\$	\$	\$	\$
Finance and other income	722	-	722	16,278	-	16,278
Net earnings (loss) and total comprehensive earnings (loss) for the period	(83,299)	(489)	(83,788)	284,679	(2,012)	282,667

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

---

## 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. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with GAAP.

The Company applied IFRS 1, First-time Adoption of IFRS, in preparing these IFRS financial statements. In preparing the opening IFRS statement of financial position, the Company adjusted amounts previously reported in the financial statements prepared in accordance with GAAP. This note explains the principal adjustments made by the Company in restating its GAAP balance sheet as at August 1, 2010 and its previously published GAAP financial statements for the period ended April 30, 2011.

### Elected exemptions from full retrospective application:

IFRS generally requires first-time adopters to retrospectively apply all IFRS standards and interpretations currently in effect. However, IFRS 1 provides certain exceptions and exemptions to this general principle. On adoption of IFRS 1, the Company elected to apply the following transition exemptions to full retrospective application of IFRS:

#### **IFRS 2 - Share-based Payment**

IFRS 1 provides an exemption that allows first-time adopters to not apply standards for share-based payments under IFRS for equity instruments that were granted prior to November 7, 2002 and to equity instruments that were granted after November 7, 2002 that have vested prior to transition to IFRS. The Company has elected to utilize this exemption and did not apply IFRS 2 to awards that vested prior to February 1, 2010, which have been accounted for in accordance with GAAP.

### Mandatory exception to retrospective application:

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 statement of financial position 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.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

---

## 11. Conversion to IFRS – (continued)

### Reconciliation between GAAP and IFRS:

IFRS 1 requires reconciliation disclosures that explain how the transition from GAAP to IFRS has affected the Company's previously reported financial statements prepared in accordance with previous GAAP for the nine months ended April 30, 2012. 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 \$35,616 for the nine months ended April 30, 2011.

#### (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.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

---

## 11. Conversion to IFRS – (continued)

### (c) Flow-through shares (continued)

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 April 30, 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 at August 1, 2010, 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. 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 April 30, 2011 and July 31, 2011.

### (e) Exploration and Evaluation of Mineral Resources

Under GAAP, the Company capitalized the costs of acquiring interests in mineral rights and exploration and evaluation expenditures in respect of projects that are in the exploration or pre-development stage.

On transition to IFRS, the Company elected to change its accounting policy to expense exploration and evaluation expenditures, the costs of acquiring interests in mineral rights and administrative and land use costs incurred prior to commercial feasibility of mining operations being established. As a result of this change, capitalized exploration and evaluation assets decreased and net loss increased by \$289,137 for the year ended July 31, 2011 and capitalized exploration and evaluation assets decreased and net loss increased by \$50,000 for the nine months ended April 30, 2011, all as compared to amounts previously reported.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

## 11. Conversion to IFRS – (continued)

### IFRS Reconciliation of Statements of Financial Position

	Note	As at August 1, 2010			As at April 30, 2011			As at July 31, 2011		
		GAAP	Effect of Conversion to IFRS	IFRS	GAAP	Effect of Conversion to IFRS	IFRS	GAAP	Effect of Conversion to IFRS	IFRS
		\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>										
<b>Current</b>										
Cash and cash equivalents		306,273	-	306,273	355,246	-	355,246	415,037	-	415,037
Amounts receivable		3,180	-	3,180	41,615	-	41,615	13,318	-	13,318
Prepaid expenses		21,101	-	21,101	36,851	-	36,851	21,246	-	21,246
Investments		1,448,218	-	1,448,218	-	-	-	-	-	-
		1,778,772	-	1,778,772	433,712	-	433,712	449,601	-	449,601
Equipment		39,829	-	39,829	34,539	-	34,539	16,316	-	16,316
Exploration and evaluation assets		-	-	-	50,000	(50,000)	-	289,137	(289,137)	-
		39,829	-	39,829	84,539	(50,000)	34,539	305,453	(289,137)	16,316
		1,818,601	-	1,818,601	518,251	(50,000)	468,251	755,054	(289,137)	465,917
<b>Liabilities and Shareholders' Equity</b>										
<b>Current</b>										
Accounts payable and accrued liabilities		86,659	-	86,659	55,967	-	55,967	81,714	-	81,714
Due to related parties		6,395	-	6,395	-	-	-	-	-	-
Loans payable		999,377	-	999,377	-	-	-	-	-	-
		1,092,431	-	1,092,431	55,967	-	55,967	81,714	-	81,714
<b>Shareholders' equity</b>										
Share capital	(d)	11,617,441	91,740	11,709,181	11,640,286	91,740	11,732,026	11,979,085	91,740	12,070,825
Reserves	(a)(b)	-	1,893,836	1,893,836	-	942,319	942,319	-	945,575	945,575
Contributed surplus	(a)(b)(d)	1,802,844	(1,802,844)	-	1,871,813	(1,871,813)	-	1,902,055	(1,902,055)	-
Accumulated other comprehensive income	(a)	723,983	(723,983)	-	-	-	-	-	-	-
Deficit	(b)(d)(e)	(13,418,098)	541,251	(12,876,847)	(13,049,815)	787,754	(12,262,061)	(13,207,800)	575,603	(12,632,197)
		726,170	-	726,170	462,284	(50,000)	412,284	673,340	(289,137)	384,203
		1,818,601	-	1,818,601	518,251	(50,000)	468,251	755,054	(289,137)	465,917

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

## 11. Conversion to IFRS – (continued)

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

	Note	Three months ended April 30, 2011			Nine months ended April 30, 2011			Year ended July 31, 2011		
		GAAP	Effect of Transition to	IFRS	GAAP	Effect of Transition to	IFRS	GAAP	Effect of Transition to	IFRS
			IFRS			IFRS			IFRS	
		\$	\$	\$	\$	\$	\$	\$	\$	
<b>Expenses</b>										
Depreciation		1,764	-	<b>1,764</b>	5,290	-	<b>5,290</b>	7,196	-	<b>7,196</b>
Consulting fees		11,250	-	<b>11,250</b>	21,694	-	<b>21,694</b>	33,544	-	<b>33,544</b>
Exploration and evaluation expenditures	(e)	-	(1,000)	<b>(1,000)</b>	-	50,000	<b>50,000</b>	-	289,137	<b>289,137</b>
Management fees		16,200	-	<b>16,200</b>	48,600	-	<b>48,600</b>	64,800	-	<b>64,800</b>
Office, rent and administration		3,544	-	<b>3,544</b>	26,149	-	<b>26,149</b>	36,474	-	<b>36,474</b>
Professional fees		1,344	-	<b>1,344</b>	6,889	-	<b>6,889</b>	24,389	-	<b>24,389</b>
Regulatory, transfer agent and shareholder information		14,200	-	<b>14,200</b>	39,644	-	<b>39,644</b>	41,353	-	<b>41,353</b>
Share-based payments	(b)	8,418	(8,060)	<b>358</b>	69,814	35,616	<b>105,430</b>	100,056	8,630	<b>108,686</b>
Travel, advertising and promotion		3,412	-	<b>3,412</b>	77,398	-	<b>77,398</b>	111,941	-	<b>111,941</b>
Wages and benefits		31,929	-	<b>31,929</b>	72,735	-	<b>72,735</b>	89,267	-	<b>89,267</b>
		92,061	(9,060)	<b>83,001</b>	368,213	85,616	<b>453,829</b>	509,020	297,767	<b>806,787</b>
<b>Other Items</b>										
Finance income		722	-	<b>722</b>	16,278	-	<b>16,278</b>	16,737	-	<b>16,737</b>
Finance and other costs		(190)	-	<b>(190)</b>	(955)	-	<b>(955)</b>	(1,152)	-	<b>(1,152)</b>
Foreign exchange loss		(1,319)	-	<b>(1,319)</b>	(2,810)	-	<b>(2,810)</b>	(3,023)	-	<b>(3,023)</b>
Impairment of equipment		-	-	<b>-</b>	-	-	<b>-</b>	(17,227)	-	<b>(17,227)</b>
Gain on sale of investments		-	-	<b>-</b>	723,983	-	<b>723,983</b>	723,983	-	<b>723,983</b>
		(787)	-	<b>(787)</b>	736,496	-	<b>736,496</b>	719,318	-	<b>719,318</b>
Net earnings (loss) and comprehensive earnings (loss) for the period		(92,848)	9,060	<b>(83,788)</b>	368,283	(85,616)	<b>282,667</b>	210,298	(297,767)	<b>(87,469)</b>

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

## 11. Conversion to IFRS – (continued)

### Reconciliation of Statements of Cash Flow

	Note	Nine months ended April 30, 2011			Year ended July 31, 2011		
		GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS	IFRS
		\$	\$	\$	\$	\$	\$
<b>Operating Activities</b>							
Net earnings (loss) for the period		368,283	(85,616)	<b>282,667</b>	210,298	(297,767)	<b>(87,469)</b>
Adjustments for non-cash items							
Depreciation		5,290	-	<b>5,290</b>	7,196	-	<b>7,196</b>
Share-based payments	(b)	69,814	35,616	<b>105,430</b>	100,056	8,630	<b>108,686</b>
Shares issued for exploration and evaluation	(e)	-	-	-	-	221,000	<b>221,000</b>
Impairment of equipment		-	-	-	17,227	-	<b>17,227</b>
Gain on sale of investments		(723,983)	-	<b>(723,983)</b>	(723,983)	-	<b>(723,983)</b>
Changes in Non-Cash Working Capital Items							
Amounts receivable		(38,435)	-	<b>(38,435)</b>	(10,138)	-	<b>(10,138)</b>
Prepaid expenses		(15,750)	-	<b>(15,750)</b>	(145)	-	<b>(145)</b>
Accounts payable and accrued liabilities		(30,692)	-	<b>(30,692)</b>	(15,945)	-	<b>(15,945)</b>
		<b>(365,473)</b>	<b>(50,000)</b>	<b>(415,473)</b>	<b>(415,434)</b>	<b>(68,137)</b>	<b>(483,571)</b>
<b>Investing Activities</b>							
Proceeds from disposal of investments		1,448,218	-	<b>1,448,218</b>	1,448,218	-	<b>1,448,218</b>
Purchase of equipment		-	-	-	(910)	-	<b>(910)</b>
Exploration and evaluation assets	(e)	(50,000)	50,000	-	(68,137)	68,137	-
		<b>1,398,218</b>	<b>50,000</b>	<b>1,448,218</b>	<b>1,379,171</b>	<b>68,137</b>	<b>1,447,308</b>
<b>Financing Activities</b>							
Due to related parties		(6,395)	-	<b>(6,395)</b>	(6,395)	-	<b>(6,395)</b>
Repayment of loans		(999,377)	-	<b>(999,377)</b>	(999,377)	-	<b>(999,377)</b>
Shares issued for cash		22,000	-	<b>22,000</b>	150,799	-	<b>150,799</b>
		<b>(983,772)</b>	-	<b>(983,772)</b>	<b>(854,973)</b>	-	<b>(854,973)</b>
Increase in cash and cash equivalents		48,973	-	<b>48,973</b>	108,764	-	<b>108,764</b>
Cash and cash equivalents, beginning of period		306,273	-	<b>306,273</b>	306,273	-	<b>306,273</b>
Cash and cash equivalents, end of period		355,246	-	<b>355,246</b>	415,037	-	<b>415,037</b>



# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2012 and 2011  
(Unaudited)

---

## 12. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current period. Short-term investments of \$31,000 (July 31, 2011 - \$250,000; August 1, 2010 - \$205,000) were reclassified to cash and cash equivalents as the nature of these investments comply with the accounting policy.