



*White Pine*

Condensed Interim Consolidated Financial Statements of

**WHITE PINE RESOURCES INC.**

For The Three and Six Months Ended

September 30, 2011

*(Unaudited)*



November 28, 2011

## **MANAGEMENT'S RESPONSIBILITY FOR CONDENSED INTERIM CONSOLIDATED FINANCIAL REPORTING**

The accompanying unaudited condensed interim consolidated financial statements of White Pine Resources Inc. ("**White Pine**") are the responsibility of the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of White Pine, as of the date of and for the period presented by the unaudited condensed interim consolidated financial statements. The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of White Pine and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of White Pine. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of White Pine for issuance to the shareholders. Management recognizes its responsibility for conducting White Pine's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(Signed) "Robert D. Cudney"

Robert D. Cudney  
President & Chief Executive Officer

(Signed) "Michael G. Leskovec"

Michael G. Leskovec  
Chief Financial Officer

## **AUDITOR INVOLVEMENT**

The unaudited condensed interim consolidated financial statements as at and for the three and six months ended September 30, 2011 have not been reviewed by White Pine's auditors.



**WHITE PINE RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(Unaudited)*

As at	September 30, 2011	March 31, 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 556,918	\$ 886,048
Short-term investment	-	10,000
Accounts receivable and prepaid expenses	159,504	103,543
	<b>716,422</b>	<b>999,591</b>
<b>Non-current Assets</b>		
Exploration and evaluation assets <i>(note 4)</i>	5,639,291	4,983,635
Equipment <i>(note 5)</i>	14,124	11,270
	<b>5,653,415</b>	<b>4,994,905</b>
	<b>\$ 6,369,837</b>	<b>\$ 5,994,496</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 153,058	\$ 107,909
Flow-through share premium liability	-	26,065
	<b>153,058</b>	<b>133,974</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital <i>(note 6(a))</i>	34,005,426	32,839,450
Accumulated Deficit	(37,354,149)	(36,590,674)
Other Components of Equity	9,565,502	9,611,746
	<b>6,216,779</b>	<b>5,860,522</b>
	<b>\$ 6,369,837</b>	<b>\$ 5,994,496</b>

**Nature of Operations and Going Concern Basis of Accounting *(note 1)***  
**Subsequent Events *(note 11)***

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements



**WHITE PINE RESOURCES INC.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

*(Unaudited)*

	Three months ended September 30,		Six months ended September 30,	
	2011	2010	2011	2010
	<i>(Note 12 - Transition to IFRS)</i>		<i>(Note 12 - Transition to IFRS)</i>	
<b>Expenses</b>				
General and administrative	\$ 120,218	\$ 101,849	\$ 208,015	\$ 177,739
Stock-based compensation	-	-	475,489	-
Amortization	1,687	1,104	4,646	2,208
Write-down of mineral properties	-	17,345	-	30,848
	121,905	120,298	688,150	210,795
<b>Other income (expenses)</b>				
Interest and other revenues (expenses)	(75,861)	80,130	(101,390)	80,130
Flow-through share premium	-	61,996	26,065	93,268
	(75,861)	142,126	(75,325)	173,398
<b>Earnings (loss) before income taxes</b>	<b>(197,766)</b>	<b>21,828</b>	<b>(763,475)</b>	<b>(37,397)</b>
<b>Future income tax recovery</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>372,265</b>
<b>Net earnings (loss) and comprehensive income (loss) for the period</b>	<b>\$ (197,766)</b>	<b>\$ 21,828</b>	<b>\$ (763,475)</b>	<b>\$ 334,868</b>
<b>Net earnings (loss) per share (note 7):</b>				
<b>Basic and fully diluted</b>	<b>\$ (0.01)</b>	<b>\$ -</b>	<b>\$ (0.03)</b>	<b>0.01</b>

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements



**WHITE PINE RESOURCES INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*(Unaudited)*

	Share Capital	Warrants and Broker Warrants	Share-Based Payment Reserve	Accumulated Deficit	Total Equity
<b>Balance at April 1, 2010</b>	<b>\$ 31,481,002</b>	<b>\$ 3,777,131</b>	<b>\$ 4,749,029</b>	<b>\$ (35,131,958)</b>	<b>\$ 4,875,204</b>
Net earnings for the period	-	-	-	334,868	334,868
Expiry of warrants	-	(2,256,153)	2,256,153	-	-
Tax effect on expiry of warrants	-	-	(372,265)	-	(372,265)
<b>Balance at September 30, 2010 (Note 12 - Transition to IFRS)</b>	<b>31,481,002</b>	<b>1,520,978</b>	<b>6,632,917</b>	<b>(34,797,090)</b>	<b>4,837,807</b>
Issuance of common shares related to asset acquisitions	475,000	-	-	-	475,000
Issuance of common shares related to finder's fees on asset acquisitions	71,250	-	-	-	71,250
Issuance of common shares, net of cash share issuance costs of \$15,988	984,012	-	-	-	984,012
Fair value of warrants issued	(298,578)	298,578	-	-	-
Issuance of common shares on exercise of warrants	126,764	(60,264)	-	-	66,500
Net loss for the period	-	-	-	(1,257,834)	(1,257,834)
Stock-based compensation	-	-	311,522	-	311,522
Warrant modification	-	535,750	-	(535,750)	-
Tax effect on expiry of warrants	-	-	372,265	-	372,265
<b>Balance at March 31, 2011</b>	<b>32,839,450</b>	<b>2,295,042</b>	<b>7,316,704</b>	<b>(36,590,674)</b>	<b>5,860,522</b>
Issuance of common shares on exercise of warrants	1,165,976	(521,733)	-	-	644,243
Net loss for the period	-	-	-	(763,475)	(763,475)
Stock-based compensation	-	-	475,489	-	475,489
Expiry of warrants and broker warrants	-	(68,103)	68,103	-	-
<b>Balance at September 30, 2011</b>	<b>\$ 34,005,426</b>	<b>\$ 1,705,206</b>	<b>\$ 7,860,296</b>	<b>\$ (37,354,149)</b>	<b>\$ 6,216,779</b>

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements



**WHITE PINE RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(Unaudited)*

For the six months ended September 30,	2011	2010
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Net earnings (loss) for the period	\$ (763,475)	\$ 334,868
Items not involving cash:		
Future income tax recovery	-	(372,265)
Flow-through share premium	(26,065)	(93,268)
Amortization	4,646	2,208
Stock-based compensation	475,489	-
Write-down of exploration and evaluation assets	-	30,848
Change in non-cash working capital:		
Accounts receivable and prepaid expenses	(55,961)	118,421
Accounts payable and accrued liabilities	45,149	(272,847)
	<b>(320,217)</b>	<b>(252,035)</b>
<b>Financing</b>		
Exercise of warrants	644,243	-
<b>Investing</b>		
Exploration and evaluation costs	(585,101)	(381,936)
Acquisition costs	(70,555)	-
Redemption of short-term investment	10,000	-
Equipment purchase	(7,500)	-
	<b>(653,156)</b>	<b>(381,936)</b>
<b>Increase (decrease) in cash</b>	<b>(329,130)</b>	<b>(633,971)</b>
<b>Cash, beginning of period</b>	<b>886,048</b>	<b>1,034,033</b>
<b>Cash, end of period</b>	<b>\$ 556,918</b>	<b>\$ 400,062</b>

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements



## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

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#### 1. NATURE OF OPERATIONS AND GOING CONCERN BASIS OF ACCOUNTING

White Pine Resources Inc. (“**White Pine**”) was incorporated under the Business Corporations Act (Ontario) on May 11, 1979 and is a publicly listed Canadian junior resource company with exploration and evaluation assets in Canada. White Pine is engaged in the identification, acquisition, exploration and evaluation of gold, nickel, copper, zinc, silver and other base metal properties. To date, White Pine has not earned any revenue from operations. White Pine's registered office is located at Suite 301, 141 Adelaide Street West, Toronto, Ontario, M5H 3L5.

The unaudited condensed interim consolidated financial statements for the period ended September 30, 2011 have been approved for issue by the Board of Directors on November 28, 2011.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from September 30, 2011. However, White Pine is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining industry; changes in government policies and regulations; the ability to obtain the necessary environmental permitting; challenges in future profitable production or, alternatively White Pine's ability to dispose of its mineral properties on an advantageous basis; as well as global economic, precious and base metal price volatility; all of which are uncertain. As a result of these risks, there is no assurance that White Pine's funding initiatives will continue to be successful and these unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. Changes in future conditions could require material writedowns of the carrying value of exploration and evaluation assets.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Statement of compliance

These unaudited condensed interim consolidated financial statements represent White Pine's second interim consolidated financial statements in the year of adoption and have been prepared in accordance with International Financial Reporting Statement (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”), and interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”). These unaudited condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“**IAS 34**”) as issued by the IASB and in accordance with IFRS 1, First-time Adoption of IFRS. Accordingly, they do not include all of the information required for full annual financial statements as required by IFRS. These unaudited condensed interim consolidated financial statements should be read in conjunction with White Pine's audited annual financial statements for the year ended March 31, 2011 and in consideration of the IFRS transition disclosures included in note 12 to these financial statements and the additional annual disclosures included in White Pine's unaudited condensed interim consolidated financial statements as at and for the three months ended June 30, 2011.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of IFRS standards that were in effect at September 30, 2011 and these accounting policies have been applied consistently to all periods presented in these unaudited condensed interim consolidated financial statements.

##### (b) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods after December 31, 2010 or later periods. Many are not applicable or do not have a significant impact to White Pine and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on White Pine.



## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (b) Recent Accounting Pronouncements (continued)

- (i) IFRS 9 'Financial Instruments' ("**IFRS 9**") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("**IAS 39**"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.
- (ii) IFRS 10 'Consolidated Financial Statements' is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- (iii) IFRS 11 'Joint Arrangements' ("**IFRS 11**") was issued by the IASB in May 2011 and will replace IAS 31 Interests in Joint ventures and SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is effective for annual period beginning on or after January 1, 2013.
- (iv) IFRS 12 'Disclosure of Interests in Other Entities' is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- (v) IFRS 13 'Fair Value Measurement' is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

#### 3. CRITICAL ACCOUNTING ESTIMATES

The preparation of these unaudited condensed interim consolidated financial statements in accordance with IAS 34 requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (i) White Pine assesses the carrying value of exploration and evaluation assets at each reporting period to determine whether any indication of impairment exists. The calculation of recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, recoverable metals, and operating performance;





## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

#### 3. CRITICAL ACCOUNTING ESTIMATES (continued)

- (ii) the calculation of the fair value of warrants, broker warrants and stock options issued by White Pine requires the use of estimates of inputs in the Black-Scholes option pricing valuation model; and
- (iii) due to the nature of White Pine's operations, various legal and tax matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In the opinion of management, these matters did not have a material effect on White Pine's financial position or results of operations as at and for the three and six months ended September 30, 2011.

#### 4. EXPLORATION AND EVALUATION ASSETS

Property	Option & acquisition costs	Exploration	Write-downs	Balance September 30, 2011
Money Property	\$ 755,591	\$ 388,963	\$ -	\$ 1,144,554
Tender Property	261,215	208,040	-	469,255
Lowland	15,854	13,285,298	(9,275,671)	4,025,481
Garden Island Property	-	349,753	(349,752)	1
	<b>\$ 1,032,660</b>	<b>\$ 14,232,054</b>	<b>\$ (9,625,423)</b>	<b>\$ 5,639,291</b>

Property	Option & acquisition costs	Exploration	Write-downs	Balance March 31, 2011
Money Property	\$ 709,688	\$ 8,451	\$ -	\$ 718,139
Tender Property	236,563	3,451	-	240,014
Lowland	15,854	13,285,298	(9,275,671)	4,025,481
Garden Island Property	-	349,753	(349,752)	1
	<b>\$ 962,105</b>	<b>\$ 13,646,953</b>	<b>\$ (9,625,423)</b>	<b>\$ 4,983,635</b>

	Money Property	Tender Property	Lowland	Garden Island Property	
Balance - March 31, 2011	\$ 718,139	\$ 240,014	\$ 4,025,481	\$ 1	\$ 4,983,635
Acquisition costs	45,903	24,652	-	-	70,555
Exploration	380,512	204,589	-	-	585,101
<b>Balance - September 30, 2011</b>	<b>\$ 1,144,554</b>	<b>\$ 469,255</b>	<b>\$ 4,025,481</b>	<b>\$ 1</b>	<b>\$ 5,639,291</b>

##### (a) Money and Tender Properties

On February 14, 2011, White Pine announced the signing of an agreement for the acquisition of an option (the "Option") to earn a 100% interest in the properties known as the Money property (the "Money Property") and the Tender property (the "Tender Property" and collectively with the Money Property, the "Yukon Properties") located in the White Gold District, Yukon Territory. A net smelter return royalty ("NSR") on each of the Yukon Properties of 2% is payable by White Pine on obtaining 100% interest; White Pine may purchase one-half of the NSR on the Money Property for \$2.5 million and one-half of the NSR on the Tender Property for \$2.5 million.



## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

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#### 4. EXPLORATION AND EVALUATION ASSETS (continued)

##### (a) Money and Tender Properties (continued)

In order to acquire its 100% interest in the Money Property, White Pine will be required to:

- (i) make cash payments totaling \$950,000 in tranches as follows:
  - On signing: \$300,000 (paid);
  - By February 9, 2012: \$150,000;
  - By February 9, 2013: \$150,000;
  - By February 9, 2014: \$150,000; and
  - By February 9, 2015: \$200,000.
- (ii) issuing an aggregate of 2,750,000 common shares in tranches as follows:
  - On signing: 750,000 common shares, valued at \$356,250 (issued);
  - By February 9, 2012: 500,000 common shares;
  - By February 9, 2013: 500,000 common shares;
  - By February 9, 2014: 500,000 common shares; and
  - By February 9, 2015: 500,000 common shares.
- (iii) incurring an aggregate of \$1,250,000 in exploration expenditures on the Money Property over a four year period as follows:
  - By April 2, 2012: incur \$200,000 (incurred);
  - By April 2, 2013: incur \$300,000;
  - By April 2, 2014: incur \$350,000; and
  - By April 2, 2015: incur \$400,000.

In addition, White Pine will also be required to issue an additional 125,000 common shares upon having incurred aggregate exploration expenditures of a total of \$2.5 million on the Money Property, and a further 125,000 common shares upon having incurred aggregate exploration expenditures of \$3.75 million on the Money Property, in each case in the event that White Pine has otherwise fully exercised its option with respect to the Money Property.

In order to acquire its 100% interest in the Tender Property, White Pine will be required to:

- (i) make cash payments totaling \$425,000 in tranches over a four year period as follows:
  - On signing: \$100,000 (paid);
  - By February 9, 2012: \$75,000;
  - By February 9, 2013: \$75,000;
  - By February 9, 2014: \$75,000; and
  - By February 9, 2015: \$100,000.
- (ii) issuing an aggregate of 1,250,000 common shares in tranches over a four year period as follows:
  - On signing: 250,000 common shares, valued at \$118,750 (issued);
  - By February 9, 2012: 250,000 common shares;
  - By February 9, 2013: 250,000 common shares;
  - By February 9, 2014: 250,000 common shares; and
  - By February 9, 2015: 250,000 common shares.



## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

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#### 4. EXPLORATION AND EVALUATION ASSETS (continued)

##### (a) Money and Tender Properties (continued)

- (iii) incurring an aggregate of \$750,000 in exploration expenditures on the Tender Property over a four year period as follows:
- By April 2, 2012: incur \$150,000 (incurred);
  - By April 2, 2013: incur \$150,000;
  - By April 2, 2014: incur \$200,000; and
  - By April 2, 2015: incur \$250,000.

In addition, White Pine will also be required to issue an additional 125,000 common shares upon having incurred aggregate exploration expenditures of a total of \$2.5 million on the Tender Property, and a further 125,000 common shares upon having incurred aggregate exploration expenditures of \$3.75 million on the Tender Property, in each case in the event that White Pine has otherwise fully exercised its option with respect to the Tender Property.

In the event that the Option is exercised, White Pine shall be required to make annual advance royalty payments (the "**Advance Royalty Payments**") of \$25,000 for each of the Yukon Properties in respect of which the Option is exercised commencing in 2016 until such time as commercial production commences. Any amount paid in respect of such Advance Royalty Payments shall be credited against the NSR payable in respect of either of the Yukon Properties.

In connection with the Option, White Pine paid finder's fees by issuing 150,000 common shares valued at \$71,250. The finder's fees were allocated \$53,438 as to the Money Property and \$17,813 as to the Tender Property.

##### (b) Lowland

On March 26, 2008 White Pine entered into an option agreement with Metalex Ventures Ltd. ("**Metalex**") and Arctic Star Diamond Corp. ("**Arctic**") pursuant to which White Pine was granted the option to acquire a 50% interest in certain claims of Metalex's and Arctic's James Bay properties located on and around the "Ring of Fire".

Under the terms of the agreement, White Pine has the right to fund a maximum of \$20.0 million in expenditures on the Lowland property over a four year period. For each \$5.0 million in expenditures, White Pine will acquire a 12.5% interest in the Lowland property, up to a maximum 50% interest.

As at September 30, 2011 White Pine has spent \$13.3 million (including \$9.3 million written-off during fiscal 2009), thereby earning a 25% interest in the Lowland property.

Subsequent to period end in October 2011, Metalex acquired Arctic's interest in the Lowland property. Also in October 2011, Metalex granted White Pine a 37.5% interest in the Lowland property for the expenditures of \$13.3 million incurred to date on the property. The option agreement was therefore terminated and White Pine has retained its 37.5% interest in the Lowland property.

##### (c) Garden Island Property

On February 25, 2009, White Pine entered into an agreement (the "**Garden Island Option Agreement**") with TSR Resources Inc. ("**TSR**") where TSR granted White Pine an option to acquire an individual 20% right, title and interest for a resulting aggregate 10% right, title and interest (the "**Interest**") in and to 296 mineral claims located in Piedmont, Courville, Pascalis and Senneville Townships of Quebec, (collectively the "**Garden Island Property**").

TSR and Noront Resources Ltd. ("**Noront**") entered into an option agreement dated July 6, 2007 and amended on July 10, 2008 (the "**Noront Option Agreement**"), pursuant to which Noront has acquired a 50% interest in the Garden Island Property and upon exercise of the Garden Island Option Agreement, the Garden Island Property shall thereafter be held as 50% by Noront, 40% by TSR and 10% by White Pine.

To exercise the Garden Island Option Agreement and thereby acquire the Interest, White Pine incurred expenses on the Garden Island Property in the aggregate amount of \$325,000.



## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

#### 4. EXPLORATION AND EVALUATION ASSETS (continued)

##### (c) Garden Island Property (continued)

Given subsequent discouraging exploration results, during fiscal 2010 White Pine wrote-down the carrying value of the Garden Island Property to a nominal amount.

#### 5. EQUIPMENT

As at September 30, 2011	Cost	Accumulated amortization	Net
Computer equipment	\$ 4,516	\$ 4,202	\$ 314
Computer software	20,984	13,937	7,047
Furniture and equipment	17,356	10,593	6,763
	<b>\$ 42,856</b>	<b>\$ 28,732</b>	<b>\$ 14,124</b>

During the six months ended September 30, 2011, White Pine incurred \$7,500 in computer software additions and \$nil for the year ended March 31, 2011.

As at March 31, 2011	Cost	Accumulated amortization	Net
Computer equipment	\$ 4,516	\$ 3,945	\$ 571
Computer software	13,484	11,240	2,244
Furniture and equipment	17,356	8,901	8,455
	<b>\$ 35,356</b>	<b>\$ 24,086</b>	<b>\$ 11,270</b>

#### 6. SHARE CAPITAL

##### (a) Common Shares

**Authorized Capital** - Unlimited number of common shares  
 - Unlimited number of special shares  
 - 500,000 preference shares

##### Issued

	Number of shares	Consideration
Balance - March 31, 2011	28,682,659	\$ 32,839,450
Exercise of warrants	1,753,874	644,243
Fair value of warrants transferred to common shares	-	521,733
<b>Balance - September 30, 2011</b>	<b>30,436,533</b>	<b>\$ 34,005,426</b>



**WHITE PINE RESOURCES INC.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*(Unaudited)*

For the six months ended September 30, 2011

**6. SHARE CAPITAL (continued)**

**(b) Warrants**

	Number of warrants	Number of broker warrants	Allocated value
Balance - March 31, 2011	8,347,500	316,874	\$ 2,295,042
Exercise of warrants	(1,450,000)	(303,874)	(521,733)
Expiry of warrants	(362,500)	(13,000)	(68,103)
<b>Balance - September 30, 2011</b>	<b>6,535,000</b>	<b>-</b>	<b>\$ 1,705,206</b>

On August 25, 2011, 362,500 warrants and 13,000 broker warrants relating to an August 25, 2009 private placement expired unexercised.

A summary of White Pine's outstanding warrants and brokers warrants at September 30, 2011 is presented below:

Issue date	Number of warrants	Number of broker warrants	Exercise price	Expiry date
December 23, 2008	3,585,000	-	\$0.35	December 23, 2011
January 26, 2009	1,000,000	-	\$0.35	January 26, 2012
December 9, 2010	1,950,000	-	\$0.35	December 9, 2012
	6,535,000			

**(c) Share-Based Payment Reserve and Stock Options**

**Share-Based Payment Reserve**

Balance - March 31, 2011	\$ 7,316,704
Stock-based compensation	475,489
Expiry of warrants	68,103
<b>Balance - September 30, 2011</b>	<b>\$ 7,860,296</b>

White Pine has a stock option plan (the "**Plan**") under which it is authorized to grant stock options to acquire common shares to Directors, officers, employees and consultants. During fiscal 2010, the Plan was converted into a "rolling plan" where the aggregate number of common shares which may be issued and sold under the Plan will not exceed 10% of the aggregate number of common shares issued and outstanding from time to time. The number of common shares which may be reserved for issue to any one individual under the Plan within any one year period shall not exceed 5% of the outstanding issue. The Board of Directors shall determine the exercise price of stock options issued, as applicable, based on the market price. The stock options are non-assignable and may be granted for a term not exceeding five years. Stock options issued under the Plan may vest at the discretion of the Board of Directors. The total number of stock options available for issue under the Plan as at September 30, 2011 is 264,653.



**WHITE PINE RESOURCES INC.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*(Unaudited)*

For the six months ended September 30, 2011

**6. SHARE CAPITAL (continued)**

**(c) Share-Based Payment Reserve and Stock Options (continued)**

**Stock Options**

	Number of options	Weighted average exercise price
Balance - March 31, 2011	2,354,000	\$ 2.14
Granted	815,000	0.62
Expired or cancelled	(390,000)	7.63
<b>Balance - September 30, 2011</b>	<b>2,779,000</b>	<b>\$ 0.92</b>

During the six months ended September 30, 2011 the following stock options were issued and valued using the Black-Scholes option pricing model parameters listed below (in each case with no dividends):

	Number of options	Exercise price	Grant date stock price	Black-Scholes Option Pricing Parameters		
				Risk-free interest rate	Expected life (Years)	Volatility factor
April 27	515,000	\$0.60	\$0.60	2.38%	5.0	164%
May 10	300,000	\$0.66	\$0.66	2.34%	5.0	164%
	815,000	\$0.62				

A summary of White Pine's outstanding stock options at September 30, 2011 is presented below:

Issue date	Options outstanding & exercisable	Exercise price	Weighted average remaining life (Years)
November 20, 2006	50,000	\$6.00	0.14
April 19, 2007	10,000	\$6.00	0.55
November 28, 2007	24,000	\$6.00	1.16
June 11, 2008	115,000	\$8.00	1.70
February 17, 2009	865,000	\$0.35	2.39
November 25, 2010	700,000	\$0.36	4.16
March 1, 2011	200,000	\$0.41	4.42
April 27, 2011	515,000	\$0.60	4.58
May 10, 2011	300,000	\$0.66	4.61
	2,779,000	\$0.92	3.54



## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

#### 7. NET EARNINGS (LOSS) PER SHARE

Net earnings (loss) per share has been calculated using the weighted average number of shares outstanding during the three and six months ended September 30, 2011 and 2010.

	Three months ended September 30,		Six months ended September 30,	
	2011	2010	2011	2010
Net earnings (loss) for the period	\$ (197,766)	\$ 21,828	\$ (763,475)	\$ 334,868
Basic weighted average number of shares outstanding during the period	30,253,218	23,342,659	29,760,208	23,342,659
Fully diluted weighted average number of shares outstanding during the period	30,253,218	30,962,033	29,760,208	31,795,963
Basic and fully diluted net earnings (loss) per share	\$ (0.01)	\$ -	\$ (0.03)	\$ 0.01

Fully diluted weighted average common shares outstanding during the three and six months ended September 30, 2011 are not reflective of the outstanding stock options, warrants and broker warrants as their exercise would be anti-dilutive in the net loss per share calculation.

#### 8. RELATED PARTY DISCLOSURES

##### (a) Executive Management Compensation

Executive management's compensation comprised:

	Three months ended September 30,		Six months ended September 30,	
	2011	2010	2011	2010
Cash compensation	\$ 9,375	\$ 12,063	\$ 18,750	\$ 22,563

At September 30, 2011, Directors of White Pine controlled 14% percent of the voting shares.

During the six months ended September 30, 2011 and 2010, there were no transactions and outstanding balances with executive management other than the cash compensation as disclosed in note 8(a).

During the six months ended September 30, 2011 and 2010, there were no outstanding balances with Directors. The aggregate value of transactions during the six months ended September 30, 2011 and 2010 with Directors related to fair value of stock options of \$289,810 (2010 - \$nil).

#### 9. CAPITAL RISK MANAGEMENT

White Pine's capital consists of common shares, warrants and share-based payment reserve, which as at September 30, 2011 totaled \$43,570,928 (March 31, 2011 - \$42,451,196).

When managing capital, White Pine's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties.

The properties in which White Pine currently has an interest are in the exploration stage; as such White Pine is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, White Pine will spend its existing working capital and raise additional amounts as needed. White Pine will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.





## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

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#### 9. CAPITAL RISK MANAGEMENT (continued)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of White Pine, is appropriate. There were no changes in White Pine's approach to capital management during the six months ended September 30, 2011.

#### 10. PROPERTY AND FINANCIAL RISK FACTORS

##### (a) Property Risk

As at September 30, 2011, White Pine had interests in the Money Property, Tender Property, Lowland, and Garden Island properties (the "**Properties**"). Although White Pine has taken steps to verify title to the Properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee White Pine's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

##### (b) Financial Risk

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

Risk management is carried out by White Pine's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

##### (i) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. White Pine's credit risk is primarily attributable to cash and short-term investments and accounts receivables. Cash and short-term investments consist of cash on hand and short-term securities with reputable financial institutions. Accounts receivable are in good standing as of September 30, 2011. Management believes that the credit risk concentration with respect to financial instruments included in cash and short-term investments and amounts receivable is minimal.

##### (ii) Liquidity Risk

White Pine's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2011, White Pine has cash and short-term investments balances of \$556,918 (March 31, 2011 - \$896,048) to settle current liabilities of \$153,058 (March 31, 2011 - \$107,909). Most of White Pine's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

##### (iii) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and the price of commodities.

##### (iv) Interest Rate Risk

White Pine has cash balances and no interest-bearing debt. White Pine's current policy is to invest excess cash in short-term securities and marketable securities which consist of certificates of deposit, banker's acceptances and discount notes ("fixed income"). White Pine's cash balances and short-term investments bear interest at floating rates and as such are subject to interest rate cash flow risk resulting from market fluctuation in interest rates.





## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

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#### 10. PROPERTY AND FINANCIAL RISK FACTORS (continued)

##### (c) Commodity Price Risk

White Pine is exposed to price risk, mainly gold and nickel, with respect to commodity prices which affects the valuation of mineral properties and share price. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. White Pine closely monitors commodity prices as it relates to precious and base metals to determine the appropriate course of action to be taken.

##### (d) Sensitivity Analysis

White Pine has designated, for accounting purposes, its cash and short-term investments as held for trading, which are measured at fair value. Accounts receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair market value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost which also equals fair market value.

As at September 30, 2011, the carrying value of White Pine's financial instruments approximate their fair values.

#### 11. SUBSEQUENT EVENTS

- (a) Subsequent to period end in October 2011, Metalex granted White Pine a 37.5% interest in the Lowland property for the expenditures of \$13.3 million incurred to date on the property. The option agreement was therefore terminated and White Pine has retained its 37.5% interest in the Lowland property.
- (b) Subsequent to period end on November 18, 2011, White Pine completed a non-brokered private placement financing to raise gross proceeds of \$820,000. White Pine issued an aggregate of (i) 1,180,000 flow-through common shares ("**November 2011 FT Shares**") at \$0.25 per November 2011 FT Share; and (ii) 2,100,000 hard dollar units ("**November 2011 Units**") at \$0.25 per November 2011 Unit, each such November 2011 Unit consisted of one common share of White Pine and one-half of one share purchase warrant. Each whole such share purchase warrant entitles the holder thereof to acquire one additional common share of White Pine until May 18, 2013 at an exercise price of \$0.35 per share. All securities issued in connection with the offering are subject to a statutory hold period expiring on March 19, 2012. The private placement remains subject to the approval of the TSX Venture Exchange.

#### 12. TRANSITION TO IFRS

##### (a) Basis of Transition to IFRS

###### **Application of IFRS 1 - First time Adoption of International Financial Reporting Standards**

For all periods up to and including the year ended March 31, 2011, White Pine prepared its financial statements in accordance with Canadian GAAP. The unaudited condensed interim consolidated financial statements as at and for the three months ended June 30, 2011 were the first White Pine prepared in accordance with IFRS. The unaudited condensed interim consolidated financial statements as at and for the three and six months ended September 30, 2011 are the second White Pine has prepared in accordance with IFRS. These financial statements were prepared in accordance with IFRS 1, First-time Adoption of IFRS and, accordingly, do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations of IFRIC.

These condensed interim financial statements should be read in conjunction with White Pine's audited annual financial statements for the year ended March 31, 2011 and in consideration of the IFRS transition disclosures included in note 12 to these financial statements and the additional annual disclosures required under IFRS included in White Pine's unaudited condensed interim consolidated financial statements as at and for the three months ended June 30, 2011.



## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

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#### 12. TRANSITION TO IFRS (continued)

##### (a) Basis of Transition to IFRS (continued)

This note explains the principal adjustments made in restating the previous Canadian GAAP statement of changes in shareholders' equity at September 30, 2010 and its previously published Canadian GAAP financial statements for the three and six months ended September 30, 2010.

IFRS 1 *First-Time Adoption of International Financial Reporting Standards* allows first-time adopters certain elections and exemptions from the retrospective application of certain IFRS's effective at the time of transition.

White Pine has applied the following exemptions and elections:

- (i) IFRS 3 *Business Combinations* has not been applied to the acquisition of subsidiaries or of interest in associates and joint ventures that occurred before January 1, 2010;
- (ii) White Pine has elected to apply IFRS 6 *Exploration and Evaluation Assets* by continuing to capitalize costs incurred related to Exploration and Evaluation Assets incurred on or after White Pine secures the legal right to explore the related mineral properties.
- (iii) IFRS 2 *Share-based Payment* has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before April 1, 2010. For cash settled share based payments arrangements, White Pine has not applied IFRS 2 to liabilities that were settled before April 1, 2010; and
- (iv) White Pine has elected not to apply the optional exemption to IAS 16 *Property, Plant, and Equipment* that allows White Pine to measure fair value at the date of transition to IFRS and to use that fair value as its deemed cost at that date. Accordingly, White Pine continued to record Equipment at historic cost at the date of transition to IFRS.

In addition, White Pine applied a mandatory exception from retrospective application in respect of estimates. Pursuant to that mandatory exception, estimates applied to balances as at April 1, 2010 have reflected conditions as at that date and were consistent with estimates made for that date in accordance with Canadian GAAP.

##### (b) Reconciliations between IFRS and Canadian GAAP

The following reconciliations provide a quantification of the effect of the transition to IFRS:

- (i) reconciliation of shareholders' equity at September 30, 2010;
- (ii) reconciliation of the statement of comprehensive loss for the three months ended September 30, 2010; and
- (iii) reconciliation of the statement of comprehensive loss for the six months ended September 30, 2010.

No reconciliation is required for the statement of cash flows as there are no significant differences.



**WHITE PINE RESOURCES INC.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*(Unaudited)*

For the six months ended September 30, 2011

**12. TRANSITION TO IFRS (continued)**

**(b) Reconciliations between IFRS and Canadian GAAP (continued)**

(i) The following is a reconciliation of shareholders' equity at September 30, 2010:

	<i>Sub Note</i>	<b>September 30, 2010</b>
<b>Total shareholders' equity reported under Canadian GAAP</b>		<b>\$ 4,881,248</b>
Reclassification of flow-through premium liability	<i>1</i>	(487,500)
Flow-through share premium liability	<i>1</i>	444,059
Total IFRS adjustments		(43,441)
<b>Total shareholders' equity reporting under IFRS</b>		<b>\$ 4,837,807</b>

(ii) The following is a reconciliation of the statement of comprehensive income for the three months ended September 30, 2010:

	<i>Sub Note</i>	<b>Canadian GAAP</b>	<b>IFRS Adjustments</b>	<b>IFRS</b>
<b>Expenses</b>				
General and administrative		\$ 101,849	\$ -	\$ 101,849
Amortization		1,104	-	1,104
Write-down of exploration and evaluation assets		17,345	-	17,345
		120,298	-	120,298
<b>Other income (expenses)</b>				
Interest and other revenues		80,130	-	80,130
Flow-through share premium	<i>1</i>	-	61,996	61,996
		80,130	61,996	142,126
<b>Earnings (loss) before income taxes</b>		(40,168)	61,996	21,828
<b>Net earnings (loss) and comprehensive income (loss) for the period</b>		<b>\$ (40,168)</b>	<b>\$ 61,996</b>	<b>\$ 21,828</b>
<b>Earnings (loss) per share</b>				
Basic and fully diluted		\$ -		\$ -
<b>Weighted average common shares outstanding</b>				
Basic		23,342,659		23,342,659
Fully diluted		23,342,659		30,962,033



## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

#### 12. TRANSITION TO IFRS (continued)

##### (b) Reconciliations between IFRS and Canadian GAAP (continued)

- (iii) The following is a reconciliation of the statement of comprehensive loss for the six months ended September 30, 2010:

	<i>Sub Note</i>	<b>Canadian GAAP</b>	<b>IFRS Adjustments</b>	<b>IFRS</b>
<b>Expenses</b>				
General and administrative		\$ 177,739	\$ -	\$ 177,739
Amortization		2,208	-	2,208
Write-down of exploration and evaluation assets		30,848	-	30,848
		210,795	-	210,795
<b>Other income (expenses)</b>				
Interest and other revenues		80,130	-	80,130
Flow-through share premium	1	-	93,268	93,268
		80,130	93,268	173,398
<b>Loss before income taxes</b>		(130,665)	93,268	(37,397)
<b>Income tax recovery</b>		372,265	-	372,265
<b>Net earnings and comprehensive income for the period</b>		<b>\$ 241,600</b>	<b>\$ 93,268</b>	<b>\$ 334,868</b>
<b>Net earnings per share</b>				
Basic and fully diluted		\$ 0.01		\$ 0.01
<b>Weighted average common shares outstanding</b>				
Basic		23,342,659		23,342,659
Fully diluted		31,795,963		31,795,963

#### Notes to reconciliations

##### 1. Accounting for flow-through shares

**Canadian GAAP** – Gross proceeds from the issuance of flow-through shares were credited entirely to share capital (net of share issue costs). A future income tax liability equal to the tax value of flow-through expenditures renounced was recognized at the time of renunciation of such expenditures (regardless of whether such renunciations were retrospective or prospective), with an offsetting debit to share issue costs. The recognition of such income tax liability was generally offset by the concurrent recognition of an offsetting future income tax asset in respect of tax assets not previously benefitted, with an offsetting credit to future income tax recovery.



## WHITE PINE RESOURCES INC.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended September 30, 2011

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#### 12. TRANSITION TO IFRS (continued)

##### (b) Reconciliations between IFRS and Canadian GAAP (continued)

**IFRS** – Under IAS 12, *Income Taxes*, the portion of the gross proceeds from the issuance of flow-through shares that is attributable to an issuance price premium in excess of non-flow-through shares is considered to be proceeds from the "sale" of the tax benefits of flow-through expenditures. At the time of issuance of such flow-through shares, the proceeds from such sale is deferred and presented as a liability on White Pine's statement of financial position. Upon White Pine's fulfillment of its obligations associated with the renunciation of related flow-through expenditures, the deferred proceeds are taken into income. A deferred income tax liability equal to the tax value of flow-through expenditures renounced is recognized only once White Pine has fulfilled its obligations associated with the renunciation of related flow-through expenditures, with an offsetting debit to deferred tax expense. In respect of a retrospective renunciation, such obligation is considered to have been fulfilled once related renunciation filings have been made with the appropriate taxation authorities. In respect of prospective renunciation (i.e., a look-back renunciation), the obligation is considered to be fulfilled once related flow through expenditures have been incurred. Similar to previous Canadian GAAP, the recognition of each such deferred income tax liability in respect of flow-through renunciation in accordance with IAS 12 has been offset by concurrent the recognition of an offsetting deferred income tax asset in respect of tax assets not previously benefitted, with an offsetting credit to deferred income tax recovery.

The classification adjustments resulted in an increase in share capital of \$60,500 at September 30, 2010.

Classification adjustments on the statement of comprehensive income (loss) for the three and six months ended September 30, 2010 resulted in changes as follows:

- for the three months ended September 30, 2010, flow-through share premium income increased by \$61,996 resulting in an increase of net earnings of the same; and
- for the six months ended September 30, 2010, flow-through share premium income increased by \$93,268 resulting in a decrease of net loss of the same.

#### 2. Exploration and Evaluation Assets

**Canadian GAAP** – Project generation and evaluation costs were permitted to be capitalized.

**IFRS** – Under IFRS 6, *Exploration and Evaluation Assets*, such costs, project generation and evaluation costs incurred prior to White Pine securing a legal right to explore a property, are not permitted to be capitalized.

The adoption of this IFRS standard did not result in any significant changes.