

BLUE VISTA TECHNOLOGIES INC.

(a development stage company)

**INTERIM FINANCIAL STATEMENTS (PREPARED BY MANAGEMENT)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 and 2011**

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Notice to Reader – From Blue Vista Technologies Inc.

The interim unaudited consolidated financial statements of Blue Vista Technologies Inc. (the “Company”) including the accompanying statements of financial position as at June 30, 2012 and December 31, 2011 and the statements of operations and comprehensive loss and cash flows for the three and nine month periods ended June 30, 2012 and 2011 are the responsibility of the Company’s management. The interim unaudited financial statements have been prepared by management and include the selection of appropriate accounting principles, judgements and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards for interim consolidated financial statements.

The interim unaudited financial statements as at and for the three month period ended June 30, 2012 have not been reviewed by the Company's auditors.

BLUE VISTA TECHNOLOGIES INC.

(a development stage company)

INTERIM STATEMENT OF FINANCIAL POSITION (Expressed in Canadian Dollars)**AS AT**

(Unaudited-prepared by management)

	June 30, 2012	December 31, 2011
ASSETS		
Current		
Cash	\$ 408,017	\$ 502,607
Accounts receivable	7,008	7,007
GST/HST receivable	14,300	44,889
	429,325	554,503
Property, plant and equipment (Note 8)	3,280	3,644
	\$ 432,605	\$ 558,147
LIABILITIES		
Current		
Accounts payable and accrued liabilities(Note 11(a))	\$ 914,436	\$ 914,559
Notes payable (Note 6)	188,597	188,597
	1,103,033	1,103,156
Deferred tax liability	-	72,750
	1,103,033	1,175,906
SHAREHOLDERS' EQUITY		
Share capital (Note 9(b))	8,689,819	8,689,819
Contributed surplus (Note 10)	152,527	152,527
Deficit	(9,512,774)	(9,460,105)
	(670,428)	(617,759)
	\$ 432,605	\$ 558,147

Approved on Behalf of the Board'Alex Falconer' Director'Chris Irwin' Director

See accompanying notes to the interim unaudited financial statements.

BLUE VISTA TECHNOLOGIES INC.

(a development stage company)

INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Expressed in Canadian Dollars)
FOR THE

(Unaudited-prepared by management)

	Three Months June 30,		Six Months June 30,	
	2012	2011	2012	2011
Expenses				
Amortization (Note 8)	\$ 182	\$ 125	\$ 364	\$ 156
Exploration and evaluation expenses (Note 7)	-	-	28,888	2
Operating expenses	33,704	54,191	62,193	97,983
Professional fees	-	16,326	5,777	16,326
Listing fees	2,058	1,721	16,556	6,838
Part XII.6 taxes	-	-	11,644	-
Loss from operations	35,944	72,363	125,422	121,305
Interest income	-	11	3	11
Flow-through share premium renunciation	(72,750)	-	(72,750)	-
Net loss and comprehensive loss for the period	36,806	(72,352)	(52,669)	(121,294)
Loss per shares				
Basic and fully diluted (loss) earnings per share	\$ 0.002	\$ (0.003)	\$ (0.002)	\$ (0.005)
Weighted average number of shares	23,615,576	23,555,401	23,615,576	25,528,951

See accompanying notes to the interim unaudited financial statements.

BLUE VISTA TECHNOLOGIES INC.

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INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Expressed in Canadian Dollars)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 and 2011

(Unaudited-prepared by management)

	Preferred shares	Share capital		Contributed Surplus	Accumulated deficit	Total	
		Amount	Common shares				Amount
Balance January 1, 2011	9,100,000	\$ 13,056	23,568,676	\$ 8,676,763	\$ 152,527	\$ (9,117,855)	\$ (275,509)
Shares issued for cash	-	-	53,100	2,655	-	-	2,655
Loss and comprehensive loss for period	-	-	-	-	-	(121,294)	(121,294)
Balance, June 30, 2011	9,100,000	\$ 13,056	23,621,776	\$ 8,679,418	152,527	\$ (9,239,149)	\$ (394,148)
Balance January , 2012	9,100,000	\$ 13,056	23,615,576	\$ 8,676,763	\$ 152,527	\$ (9,460,105)	\$ (617,759)
Loss and comprehensive loss for period	-	-	-	-	-	(52,669)	(52,669)
Balance, June 30, 2012	9,100,000	\$ 13,056	23,615,576	\$ 8,676,763	\$ 152,527	\$ (9,512,774)	\$ (670,428)

See accompanying notes to the interim unaudited financial statements.

BLUE VISTA TECHNOLOGIES INC.

(a development stage company)

INTERIM STATEMENTS OF CASH FLOWS (Expressed in Canadian Dollars)
FOR THE THREE AND SIX MONTH PERIODS ENDED

(Unaudited-prepared by management)

	Three Months June 30,		Six Months June 30,	
	2012	2011	2012	2011
OPERATING ACTIVITIES				
Net loss for the period	\$ 36,806	\$ (72,352)	\$ (52,669)	\$ (121,294)
Adjustments not effecting cash:				
Amortization	182	125	364	156
Changes in non-cash working capital				
Accounts receivable	14,923	(6,780)	30,589	114,444
Prepaid expenses	-	1,575	-	3,150
Accounts payable and accrued liabilities	3,136	28,785	(124)	(51,718)
Cash used in operating activities	127,797	(48,647)	(94,590)	(55,262)
INVESTING ACTIVITIES				
Purchase of capital assets	-	-	-	(2,495)
Cash used in investing activities	-	-	-	(2,495)
FINANCING ACTIVITIES				
Issuance of common shares	-	-	-	2,655
Cash provided by financing activities	-	-	-	2,655
Net (decrease) increase in cash	127,797	(48,647)	(94,590)	(55,102)
Cash, beginning of period	425,720	777,321	502,607	783,776
Cash, end of period	\$ 553,517	\$ 728,674	\$ 408,017	\$ 728,674

BLUE VISTA TECHNOLOGIES INC.

(an exploration stage enterprise)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

JUNE 30, 2012 (Expressed in Canadian Dollars)

(Unaudited)

1. REPORTING ENTITY

Blue Vista Technologies Inc. (the “Company”) is an exploration stage enterprise incorporated under the laws of Ontario on December 9, 1995. The Company is listed on the TSX Venture Exchange, having the symbol BV.H and is in the process of exploring its mineral properties.

The address of the Company's corporate office and principal place of business is 65 Queen Street West, Suite 501 Toronto, Ontario, M5H 2M5, Canada.

2. BASIS OF PRESENTATION

Statement of Compliance

These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”) and do not include all of the information required for full annual financial statements and accordingly, they should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2011.

The accounting policies applied in preparing the interim financial statements for the six months ended June 30, 2012 and June 30, 2011 are set out in Note 3, and are the same as those applied in preparing the Company's annual financial statements.

The financial statements were authorized for issue by the Board of Directors on August XX, 2012.

Basis of Measurement

The interim financial statements have been prepared on the historic cost basis, as modified by any revaluation of fair value through profit or loss financial assets.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

The preparation of financial statements in conformity with IFRS requires that management make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement, areas where assumptions and estimates are significant to the financial statements are disclosed in Note.

Functional and Presentation Currency

These interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of Estimates and Judgement

The preparation of interim financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the interim financial statements and related notes to the financial statements. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant estimates used in the preparation of these financial statements include, but are not limited to, the recoverability of exploration and evaluation (“E&E”) assets, investments, automobile and equipment, asset retirement obligations, share-based compensation, income taxes, the recording of liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditures during the reporting period. Actual results could differ from management's best estimates.

BLUE VISTA TECHNOLOGIES INC.

(an exploration stage enterprise)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

JUNE 30, 2012 (Expressed in Canadian Dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statements of financial position at January 1, 2010 for the purpose of transitioning to IFRS, unless otherwise indicated.

EXPLORATION AND EVALUATION EXPENDITURES

E&E assets consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment.

E&E costs consist of:

- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs are written off to operations.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period when the new information becomes available. The Company assesses each cash generating unit ("CGU") annually to determine whether any indication of impairment exists.

Where an indicator of impairment exists, a formal estimate recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties.

EQUIPMENT

Recognition and Measurement

Equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset.

Depreciation

Equipment is depreciated annually on a straight-line basis using rates of 20% respectively.

BLUE VISTA TECHNOLOGIES INC.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

JUNE 30, 2012 (Expressed in Canadian Dollars)

(Unaudited)

Impairment

The carrying amounts of the Company's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. In addition, capitalized E&E assets are assessed for impairment upon demonstrating the technical feasibility and commercial viability of the project.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into CGUs for impairment purposes.

An impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the statement of operations. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized such that the recoverable amount has increased.

BASIC LOSS PER COMMON SHARES

The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible warrants and share options granted by the Company.

SHARE-BASED PAYMENT

The Company accounts for share-based payments using the fair value method. Under this method, compensation expense is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

Warrants, stock options, and other equity instruments issued as purchase consideration in non-cash transactions, other than as consideration for E&E assets, are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration for E&E assets is based upon the trading price of those shares on the TSX on the date of the agreement to issue shares as determined by the Board of Directors.

RECLAMATION OBLIGATION

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of an E&E interest. The Company's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive.

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(Unaudited)

The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value.

The Company intends to make in the future, expenditures to comply with such laws and regulations.

SHARE CAPITAL

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's common shares, share warrants, and flow-through shares are classified as equity instruments. Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

WARRANTS

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The fair value of the share component is credited to share capital and the value of the warrant component is credited to contributed surplus. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the contributed surplus account is recorded as an increase to share capital.

FINANCIAL INSTRUMENTS

The Company holds certain financial instruments such as cash and cash equivalents, receivables, accounts payable, and accrued liabilities, the fair value of which approximate their carrying value due to the short term nature of these instruments.

Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to a contract. Both financial assets and liabilities are initially measured at fair value plus, in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs. IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") requires classification of financial assets at inception into one of four categories: fair value through profit or loss, held to maturity, loans and receivables, and available for sale; and classification of financial liabilities at inception into one of two categories: fair value through profit or loss and other liabilities.

NON DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets at fair value through profit or loss

The company has classified its cash and cash equivalents as financial assets at fair value through profit or loss. Cash and cash equivalents include cash, and those short term money market instruments that are readily convertible to cash with an original term of less than 90 days.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized costs using the effective interest method, less any impairment losses. Gains and losses are recognized in profit or loss in the amortization process and when loans are derecognized or impaired.

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(Unaudited)

Available for sale

Marketable securities are measured initially at fair value. They are accounted for at fair value with unrealized gains and losses included in Other Comprehensive Income (Loss). When a decline in the fair value of an available for sale financial asset and there is objective evidence that the asset is impaired the cumulative loss equal to the difference between the acquisition cost and its fair value, less any impairment loss that has been recognized in Other Comprehensive Income (Loss) will be reclassified from equity to profit or loss even though the financial asset has not been derecognized. Except for equity instruments, impairment losses recognized in net income for financial instruments can be reversed in profit or loss.

Impairment of financial assets

Financial assets, other than financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been negatively impacted.

The carrying amount of the financial asset is directly reduced by any impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

Other Liabilities

Accounts payable and accrued liabilities are classified as other liabilities. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments recorded at FVTPL

Financial instruments recorded at fair value on the statements of financial position are classified using a financial value hierarchy that reflects the significance of the inputs used in marking the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices including Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – valuation techniques using inputs for the asset and liability that are not based on observable market data (unobservable inputs).

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(Unaudited)

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IFRS 9, Financial Instruments (“IFRS 9”) was issued by the International Accounting Standards Board (“IASB”) on November 12, 2009 and will replace 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 classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its financial instruments.

PROVISIONS

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

FLOW THROUGH SHARES

Upon the issuance of flow through shares, the Company records the initial proceeds to capital stock, net of any tax liability, if any. The liability on the statement of financial position represents the premium of the financing price in excess of the market share price on the date of the flow through share financing. The financial liability pertaining to the premium is recognized in the statement of operations consistent with expenditure renunciations. As the Company incurs expenditures to meet flow through requirements, a corresponding tax expenditure is recognized, reflecting tax renunciations.

4. FINANCIAL INSTRUMENTS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The Company may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain exposures. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

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JUNE 30, 2012 (Expressed in Canadian Dollars)

(Unaudited)

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity is derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents. The current year's budget is planned to be funded by cash and cash equivalents.

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

As at June 30, 2012 the Company held cash and cash equivalents of \$408,017.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents bear interest at market rates. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature or being non-interest bearing.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company has reduced its credit risk by investing its cash equivalents with a Canadian chartered bank. Also, as the majority of its receivables are with the Canadian government in the form of sales tax receivable, credit risk is considered minimal.

Commodity Price Risk

The Company is subject to price risk from fluctuations in market prices of gold, copper and other metals. Gold, copper and other metal prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control.

The future operations of the Company are highly correlated to the market prices of these metals, as is the ability of the Company to continue to explore and develop its mineral properties.

A prolonged period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value.

Fair Value

The Company has designated its cash and cash equivalents as FVTPL, which is measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Marketable securities are classified as available-for-sale which are measured at fair value.

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(Unaudited)

5. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its capital stock. As at June 30, 2012 the Company's capital stock was \$8,676,763 (December 31, 2010 - \$8,689,819).

There were no changes in the Company's approach to capital management during the period ended June 30, 2012 and the Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

- To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;
- To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and
- To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company's capital structure includes components of shareholders' equity.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.

6. NOTES PAYABLE

	June 30, 2012	December 31, 2011
Unsecured advances from shareholders, directors and officers of the Company due on demand and are non-interest bearing	\$ 148,597	\$ 148,597
Due to non-related party	40,000	40,000
	<u>\$ 188,597</u>	<u>\$ 188,597</u>

7. EXPLORATION AND EVALUATION EXPENSES

	June 30, 2012	December 31, 2011
Total exploration and evaluation expenses	<u>\$ 221,585</u>	<u>\$ 192,697</u>

Hurdman Property

On September 7, 2011, the Company entered into an arm's length agreement with Eloro Resources Ltd. whereby the Company is to acquire Eloro's wholly-owned Hurdman Property, comprising 13 contiguous mining claims covering 2,944 hectares in Hurdman Township, 120 kilometres north-norhtwest of the City of Timmins, Ontario.

Pursuant to the Agreement and subject to regulatory approval and closing, the Company will acquire a 100% interest in the Hurdman Property by issuing 5,000,000 shares and paying \$40,000 to Eloro. Post the proposed rollback of 4:1, Eloro would hold 1.25 million shares of the Company. To date, regulatory approval has not been received and the proposed sale has not been finalized. As a result, exploration and evaluation expenditures made to date have not been capitalized in accordance with IFRS 6, but have been expensed to operations.

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(Unaudited)

The Hurdman Property has concentrations of base-metals within pyrrhotite-pyrite mineralization in biotite-garnet gneiss and pegmatites, and has been explored for basemetal mineralization since the 1960's. Mineralization consists of disseminated and massive pyrrhotite and pyrite with associated sphalerite, gahnite, silver and smaller amounts of lead and copper. The zinc-bearing zone can be followed 250 metres along strike, 125 metres down dip and over drill widths varying from 1 to 38 metres. Drilling by Eloro identified a continuous zinc-silver rich, semi-massive to massive sulphide zone. Nineteen of 25 drill holes drilled in 2007 intersected the Hurdman Sulphide Zone (HSZ). The drilling work confirmed the presence of a zinc (greater than 2%) and silver (greater than 15 g/t) corridor, which displays thicknesses varying between 1.9 and 19.95 metres. The HSZ represents a large Zn-Ag system that remains open in all directions.

8. PROPERTY, PLANT AND EQUIPMENT

	Office equipment
<u>Cost</u>	
Balance at January 1, 2012	\$ 4,438
Additions	-
Balance at June 30, 2012	\$ 4,438
<u>Accumulated Amortization</u>	
Balance at January 1, 2012	\$ 794
Amortization for the period	364
Balance at May 31, 2012	\$ 1,158
<u>Carrying Amounts</u>	
Balance at January 1, 2012	\$ 3,644
As at May 31, 2012	\$ 3,280

9. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares

8,000,000 Class A preference shares, transferable, non-cumulative, non-retractable, redeemable on a performance basis for \$1 per share over sixteen years, commencing subsequent to the sale of 50 PARCON units.

1,600,000 Class B preference shares, transferable, non-cumulative, non-retractable, redeemable on a performance basis for \$1 per share over four years, commencing subsequent to the sale of 50 PARCON units.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS**JUNE 30, 2012** (Expressed in Canadian Dollars)

(Unaudited)

(b) Warrants

The following table summarizes warrants that have been issued during the period ended June 30, 2012:

	Number of Warrants	Fair Value	Weighted Average Exercise Price	Expiry date
Balance, January 1, 2010	-	\$ -	\$ -	
Issued	855,555	7,249	0.10	March 31, 2011
Issued	11,000,000	93,350	0.10	December 31, 2011
Balance, December 31, 2010	11,855,555	\$ 100,599	\$ 0.10	
Expired	(855,555)	(7,249)	0.10	
Expired	(11,000,000)	(93,350)	0.10	
Balance, December 31, 2011 and June 30, 2012	-	\$ -	\$ -	

10. CONTRIBUTED SURPLUS

	June 30, 2012	December 31, 2011
Balance, beginning of period	\$ 152,527	\$ 152,527
Balance, end of period	\$ 152,527	\$ 152,527

11. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the financial statements during the quarter ended June 30, 2012 and 2011 as follows:

	June 30, 2012	June 30, 2011
Management fees and consulting fees expense:		
Management fees were charged by officers for corporate administrative and financial management services	\$ 9,000	\$ 9,000
Consulting fees were charged by officers for corporate administrative	\$ 15,000	\$ 15,000
Professional fees expense:		
Legal fees were charged by an officer for legal and corporate secretarial services	\$ 5,777	\$ 16,326

- a) Included in accounts payable and accrued liabilities are management fees of \$502,758 (December 31, 2011 - \$502,758) to companies controlled by certain directors and officers in common with the Company and legal fees of \$199,581 (December 31, 2011 - \$193,053) due to a company controlled by a director in common with the Company, and interest on notes of \$53,118 (December 31, 2011 - \$53,118) due to certain directors and an officer of the Company and companies controlled by certain shareholders, directors and officers in common with the Company.

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(an exploration stage enterprise)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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(Unaudited)

- b) Included in notes payable are advances of \$148,597 (December 31, 2011 - \$148,597) due to certain directors and an officer of the Company, companies controlled by certain shareholders, and companies controlled by a director and officer in common with the Company.

The above transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. In management's opinion, the exchange amount was negotiated, established and agreed to by the related parties as if they were dealing at arm's length.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. These reclassifications did not affect prior year's net losses.