

# **RESSOURCES AFFINOR INC.**

(AN EXPLORATION COMPANY)

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Unaudited interim  
Financial Statements  
For the Nine-month period ended  
February 29, 2012

**AVIS AUX LECTEURS DES ÉTATS FINANCIERS INTERMÉDIAIRES NON VÉRIFIÉS :**

Les états financiers intermédiaires non vérifiés de Ressources Affinor Inc. pour la période de neuf mois terminée le 29 février 2012 n'ont pas été révisés par les vérificateurs externes de la société.

**NOTICE TO READERS OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS:**

The unaudited interim financial statements of Affinor Resources Inc. for the Nine-month period ended February 29, 2012 have not been reviewed by the Company's external auditors.

(s) *Claude Veillette,*

Administrateur / Director

(s) *Martin Nicoletti,*

Administrateur / Director

**Ressource Affinor Inc.**  
**Interim Financial Position**  
**For the Nine-month ended February 29, 2012 and 2011**  
**(Unaudited)**

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		<u>February 29, 2012</u>	<u>May 31, 2011</u>
	Notes	\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		152	-
Receivables	6	<u>13,389</u>	<u>7,999</u>
		13,541	7,999
<b>NON CURRENT ASSETS</b>			
Exploration and evaluation expenses	7	<u>5,000</u>	<u>-</u>
		<u>18,541</u>	<u>7,999</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	118,719	75,111
Convertible note	10	<u>91,714</u>	<u>91,714</u>
		210,433	166,825
<b>EQUITY</b>			
Share capital	9	5,255,136	5,255,136
Equity component of convertible debenture	10	204,037	204,037
Contributed surplus		484,611	484,611
Retained deficit		<u>(6,135,676)</u>	<u>(6,102,610)</u>
		<u>(191,892)</u>	<u>(158,826)</u>
		<u>18,541</u>	<u>7,999</u>

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

The unaudited interim financial statements were approved and authorized for issue by the board of directors on April 26, 2012

(s) Claude Veillette  
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 Director

(s) Martin Nicoletti  
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 Director

**Ressource Affinor Inc.**  
**Interim Statement of Comprehensive Income**  
**For the Nine-month ended February 29, 2012 and 2011**  
**(Unaudited)**

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	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>February 29, 2012</u>	<u>February 28, 2011</u>	<u>February 29, 2012</u>	<u>February 28, 2011</u>
<b>Notes</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>				
Consulting fees and professional fees	1,630	-	1,630	1,616
Other expenses	21	-	21	-
Registration & information to shareholders	<u>31,415</u>	<u>-</u>	<u>31,415</u>	<u>-</u>
<b>Loss for the period</b>	<b>33,066</b>	<b>-</b>	<b>33,066</b>	<b>1,616</b>
<b>Other comprehensive loss :</b>				
<b>Total comprehensive loss for the period</b>	<u>33,066</u>	<u>-</u>	<u>33,066</u>	<u>1,616</u>
<b>Loss per share</b>	11 <u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

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

**Ressource Affinor Inc.**  
**Interim Statement of changes in Equity**  
**For the Nine-month ended February 29, 2012 and 2011**  
**(Unaudited)**

Notes	Number of common shares outstanding	Share Capital	Equity component of convertible debenture	Contributed Surplus	Deficit	Total of equity attributable to Amex shareholders
		\$	\$	\$	\$	\$
<b>Balance at June 1, 2011</b>	11,054,489	5,255,136	204,037	484,611	(6,102,610)	(158,826)
Loss of the period	-	-	-	-	(33,066)	(33,066)
Total comprehensive loss for the period	-	-	-	-	(33,066)	(33,066)
<b>Balance at February 29, 2012</b>	<u>11,054,489</u>	<u>5,255,136</u>	<u>204,037</u>	<u>484,611</u>	<u>(6,135,676)</u>	<u>(191,892)</u>
<b>Balance at June 1, 2010</b>	-	5,255,136	-	484,611	(6,064,248)	(324,501)
Loss of the period	-	-	-	-	(1,616)	(1,616)
Total comprehensive loss for the period	-	-	-	-	(1,616)	(1,616)
<b>Balance at February 28, 2011</b>	<u>-</u>	<u>5,255,136</u>	<u>-</u>	<u>484,611</u>	<u>(6,065,864)</u>	<u>(326,117)</u>

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

**Ressource Affinor Inc.**  
**Interim Statements of Cash flows**  
**For the Nine-month ended February 29, 2012 and 2011**  
**(Unaudited)**

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>February 29, 2012</u>	<u>February 28, 2011</u>	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Notes	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss	<u>(33,066)</u>	<u>-</u>	<u>(33,066)</u>	<u>(1,616)</u>
Items not involving cash	<u>(33,066)</u>	<u>-</u>	<u>(33,066)</u>	<u>(1,616)</u>
Net change in non-cash operating working capital items	14 <u>38,218</u>	<u>-</u>	<u>38,218</u>	<u>1,616</u>
	<u>5,152</u>	<u>-</u>	<u>5,152</u>	<u>-</u>
<b>INVESTING ACTIVITIES</b>				
Acquisition of mining properties	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS DECREASE</b>	152		152	
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>152</u>	<u>-</u>	<u>152</u>	<u>-</u>

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

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

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**1. NATURE OF OPERATIONS**

Resources Affinor Inc. and its subsidiaries (hereinafter the "Company") specialize in exploration of gold mining sites located in Canada.

**2. GOING CONCERN ASSUMPTION**

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and on a basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economical recoverable, the Company has not yet generated neither income nor cash flow from its operations. As at February 29, 2012, the Company has a deficit of \$ 6,135,676. These material uncertainties raise doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the classification used in the statement of financial position have been adjusted as would be required if the going concern assumption was not appropriate.

**3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS**

The interim financial statements of the Company have been prepared using the standard IAS34, Interim Financial Reporting and IFRS 1 First-time Adoption of International Financial Reporting Standards, while considering accounting policies that the company proposes to adopt for its financial statements for the year ended May 31, 2012. These accounting policies are based on IFRS and interpretations of International Financial Reporting Interpretations Committee ("IFRIC") which, according to the company, will be in effect at May 31, 2012. The accounting policies described in Note 4 were applied in the same way for all periods presented unless otherwise indicated.

The interim financial statements should be read in conjunction with the financial statements under the old accounting standards and the accompanying notes at May 31, 2011 and for the year then ended.

Note 15 provides a reconciliation of shareholders' equity, net income and comprehensive income according to generally accepted accounting principles ("GAAP") of Canada and under IFRS, as well as a description of the impact of the transition Canadian GAAP to IFRS on these items.

These financial statements have been prepared under the historical cost basis except for financial assets held for sale are carried at fair value through comprehensive income

Ressource Affinor Inc. is the Company's ultimate parent company.

The address of Ressource Affinor Inc.'s registered office and its principal place of business is 410 St-Nicolas Street, Montreal, Quebec, Canada , H2Y 2P5.

The financial statements for the reporting period ended February 29, 2012 (including comparatives) were approved and authorized for issue by the Board of Directors on April 26, 2012.

**4. SUMMARY OF ACCOUNTING POLICIES**

**4.1 Overall considerations and first-time adoption of IFRS**

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

These accounting policies have been used throughout all periods presented in the financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Company and the effects of transition to IFRS are presented in Note 15.

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

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**4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

**IFRS 9 Financial Instruments (effective from January 1, 2013)**

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurements and the recognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to access the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively access the impact of all changes.

**IFRS 12, Disclosure of Interests in Other entities**

This new standard provides minimum disclosure requirements when a reporting entity holds an interest in other entities. This standard combines disclosures required for interests in subsidiaries, joint arrangements, associates and structured entities, which were previously located in each applicable individual standard.

**IFRS 13, Fair Value Measurement**

This new standard is meant to clarify the definition of fair value, provide guidance on measuring fair value and improve disclosure requirements related to fair value measurement.

**4.3 Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value

Financial assets and financial liabilities are measured subsequently as described below.

**Financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables;
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Finance income.



**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

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**4.3 Financial instruments (continued)**

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, cash held for exploration expenses fall into this category of financial instruments.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include marketable securities in quoted mining exploration companies.

Impairment charges are recognized in profit or loss.

All available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss in Finance income or Finance costs and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within Finance income.

Reversals of impairment losses are recognized in other comprehensive income.

*Impairment of financial assets*

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a Company of financial assets is impaired.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Companies, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write-down is then based on recent historical counterparty default rates for each identified Company. Impairment of receivables is presented in profit or loss within other operating expenses.

**Financial liabilities**

The Company's financial liabilities include trade accounts and amounts payable due to an associate.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs.

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

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**4.4 Basic and diluted loss per share**

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

For the purpose of calculating diluted loss per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options and warrants as explained in Note 11.

**4.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with othershort-term, highly liquid investments with original maturities of nine-month or less, and that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**4.6 Tax credits and credit on duties**

The Company is entitled to a refundable credit on duties for losses under the Mining Duties Act. This refundable credit on duties for losses is applicable on exploration costs incurred in the Province of Quebec.

Furthermore, the Company is entitled to a refundable tax credit for resources for mining companies on qualified expenditures incurred. In accordance with IAS 20, the credit on duties and the exploration tax credit have been applied against the costs incurred.

**4.7 Exploration and evaluation expenditures and exploration and evaluation assets**

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, the costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties and refundable tax credits and credits on duties related to these expenses are charged to the cost of exploration. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.11); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.11) and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, however these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

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**4.7 Exploration and evaluation expenditures and exploration and evaluation assets (continued)**

**Assignment of interest under the option agreement.**

During transfer of interest, as part of option agreement, the company does not record the expenses related to exploration and evaluation made by the purchaser on the property. In addition, amounts received directly from the purchaser shall be credited against the costs previously capitalized to property; the surplus is recorded as gain on disposal of exploration and evaluation assets to the expenses.

**4.8 Operating lease agreements**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses are charged to income as they are incurred.

**4.9 Impairment of non-financial assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the assets or cash-generating units carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

The impairment loss reduces the asset or is changed pro rata on the basis of the carrying amount of each asset in the cash-generation unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

**4.10 Provisions, contingent liabilities and contingent assets**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets. Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realized.

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

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**4.10 Provisions, contingent liabilities and contingent assets (continued)**

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. The Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible and are capitalized to the cost of exploration and evaluation assets as incurred. When the technical feasibility and commercial

viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

**4.11 Deferred income taxes**

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see Note 13.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce tax deductions for expenses related to exploration activities to the benefit of the investors. Deferred income taxes relating to temporary differences are recorded when the renouncement forms are filed with the tax authorities.

**4.12 Equity**

Share capital represents the amount received on the issue of shares.

**Unit placements**

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

**Flow-through placements**

Issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability component represents the obligation to revert the tax benefit to the investors. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and a liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to the liability.

Gains and losses on certain financial instruments are included in reserves for available-for-sale financial assets.

Retained deficit includes all current and prior period retained profits or losses less issuance costs, net of any underlying income tax benefit for these issuance costs.

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

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**4.13 Equity-settled share-based payments**

The Company operates equity-settled share-based remuneration plans (share options plans) for its eligible directors, officers, employees and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees are rewarded using share-based payments, the fair value of the services rendered by the employees is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments except broker's warrants are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity.

Brokers' warrants are recorded as cost of issuing equity instruments and the consideration is credited to Contributed surplus.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in contributed surplus are then transferred to share capital.

**5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

**Exploration and evaluation assets**

*Technical feasibility and commercial viability*

Decisions regarding the technical feasibility and commercial viability of the exploration and evaluation assets involves a number of assumptions, such as estimated reserves, resource price forecasts, expected production volumes and discount rates, which could all change significantly in the future.

*Impairment of property and equipment and exploration and evaluation costs*

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses are a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires considerable management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances.

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

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**5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)**

These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

**Deferred taxes**

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

**Going concern**

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment.

**Share-based payments**

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

**Provisions and contingent liabilities**

Judgements are made as to whether a past event has led to a liability that should be recognized in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

**6. RECEIVABLES**

	<u>February 29, 2012</u>	<u>May 31, 2011</u>
	\$	\$
Sales tax receivable	<u>13,389</u>	<u>7,999</u>
Receivables	<u><u>13,389</u></u>	<u><u>7,999</u></u>

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

**7. EXPLORATION AND EVALUATION ASSETS**

	Balance as at June 1, 2011	Additions	Balance as at February 29, 2012
	\$	\$	\$
Quebec – Destor Property			
Mining rights (a)	-	5,000	5,000
Exploration	-	-	-
	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Summary			
Mining rights (a)	-	5,000	5,000
Exploration	-	-	-
	<u>-</u>	<u>5,000</u>	<u>5,000</u>

**a) Destor Property**

In December 2011, the Company acquired the Destor property for \$5,000 in cash and 750,000 common shares to be issued. The Destor property is composed of 83 claims covering an area of 3,208.61 hectares located in the townships of Destor and Dufresnoy in Rouyn-Noranda.

**8. TRADE AND OTHER PAYABLES**

	February 29, 2012	May 31, 2011
	\$	\$
Trade accounts	<u>118,719</u>	<u>75,111</u>
Trade and other payables	<u>118,719</u>	<u>75,111</u>

**9. EQUITY**

**9.1 Capital stock**

The share capital of Resources Affinor Inc. consists only of fully paid ordinary shares.

**Authorized**

Unlimited number of shares without par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meeting of Resources Affinor Inc.

	February 29, 2012	May 31, 2011
Total shares issued and fully paid		
Balance, beginning and end of the period	<u>11,054,489</u>	<u>11,054,489</u>

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

**10. CONVERTIBLE DEBENTURE**

During the previous year, the Company sold to a private company \$ 295,751 of accounts payable due to individuals and due to directors, for a convertible debenture with a face value of \$ 295,751 nominal interest rate of 10% (effective rate of 51%), principal and accrued interest payable at maturity in May 2014. The debenture can be converted at the holder's option in common shares at market price diminished by a discount of 15 %, with a minimum conversion price of \$0.05 per share.

These convertible debentures are recorded at their substance and financial statements are presented according to their own component, valued at their fair value at the time of issue.

The debt component is calculated the present value of interest payment and the refund of principal discounted at a rate representing the rate of interest that would have been requested for a non-convertible debenture at the time of issuance. The equity component was evaluated from the residual amount of the value of the instrument as a whole after deduction of the amount determined separately for the liability component.

	<u>Debt Component</u>	<u>Equity Component</u>	<u>Total</u>
	\$	\$	\$
<b>Issued value</b>	91,714	204,037	295,751

**11. LOSS PER SHARE**

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive.

Both the basic and diluted loss per share have been calculated using the loss attributable to owners of the parent company as the numerator, i.e. no adjustment to the loss were necessary in 2012 and 2011.

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>February 29, 2012</u>	<u>February 28, 2011</u>	<u>February 29, 2012</u>	<u>February 28, 2011</u>
	\$	\$	\$	\$
Loss (Income) for the period attributable to owners of the parent company	33,066	-	33,066	1,616
Weighted average number of shares in circulation	11,054,489	11,054,489	11,054,489	11,054,489
Basic and diluted loss per share	0.00	0.00	0.00	0.00

There have been no other transactions involving ordinary shares between the reporting date and the date of authorization of these financial statements.

**12. FINANCIAL ASSETS AND LIABILITIES**

The fair value of financial instrument at the reporting date was calculated on the basis of available market data, using current discounted cash flow methods. The fact that there are differences in the valuation methods means that the measurements do not necessarily reflect the amount that could be received from or paid out on instruments on the market.

The company's financial instruments that are measured at fair value on a recurring basis in periods subsequent to initial recognition and fair value hierarchy used to measure them are presented in the below.



**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

**12. FINANCIAL ASSETS AND LIABILITIES (continued)**

The Company classifies its financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for assets or liability that are not based on observable market data (unobservable inputs).

	Notes	February 29, 2012		May 31, 2011	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets		\$	\$	\$	\$
Cash and cash equivalents		152	152	-	-
Receivables	6	13,389	13,389	7,999	7,999
Financial liabilities					
Trade and other payables	8	118,719	118,719	75,111	75,111

**13. INCOME TAXES**

Deferred tax assets and liabilities relating to deductible and taxable temporary differences and unused tax losses are recognized in the statement of financial position.

As at May 31, 2011, the Company had deferred non-capital losses of \$ 1,792,974 not recognized in deferred tax assets that can be used to reduce taxable benefit in future years and expire in 2031.

	May 31, 2011
Recognized future income tax assets	\$
Mining assets and deferred exploration expenses	597,832
Losses carried forward	478,712
Capital losses	1,561
Fixed assets	<u>10,542</u>
	1,088,647
Recognized future income tax liabilities	(1,088,647)

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

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**14. ADDITIONAL INFORMATIONS – CASH FLOWS**

The changes in working capital items are detailed as follows:

	Three-month period ended		Nine-month period ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
	\$	\$	\$	\$
Receivables	(5,390)	-	(5,390)	(208)
Trade and other payable	43,608	-	43,608	1,824
	<u>38,218</u>	<u>-</u>	<u>38,218</u>	<u>1,616</u>

**15. FIRST-TIME ADOPTION OF IFRS**

These are the Company's first financial statements prepared in accordance with IFRS. The date of transition to IFRS is June 1, 2010.

The Company's IFRS accounting policies presented in Note 3 have been applied in preparing the financial statements for the reporting period ended February 29, 2012, the comparative information and the opening statement of financial position at the date of transition.

The Company has applied IFRS 1 in preparing these first IFRS financial statements. The effects of the transition to IFRS on equity, total comprehensive loss and reported cash flows already established are presented in this section and are further explained in the notes that accompany the tables.

**15.1 First-time adoption – exemptions applied**

Upon transition, IFRS 1 dictate certain mandatory exceptions and certain optional exemptions from full retrospective application. The exceptions and exemptions adopted by the Company are set out below:

**Mandatory exceptions**

The estimates established by the Company in accordance with IFRS at the date of transition to IFRS are consisted with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.

GAAP were not recognized under IFRS. The Company has early applied the change in IFRS 1 in this respect regarding the application date of the exception, i.e. June 1, 2010.

**Optional exemptions**

The Company has chosen not to apply IFRS 2, Share-based Payment, retrospectively to options granted on or before November 7, 2002 or granted after November 7, 2002 and vested before the date of transition to IFRS.

The Company has elected not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition (June 1, 2010).

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the Nine-month ended February 29, 2012 and 2011**  
(Unaudited)

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**15.2 Reconciliation of equity**

Equity at the date of transition and at February 28, 2011 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	<u>February 28, 2011</u>
	\$
Equity under pre-change accounting standards	(326,117)
Increases (decreases) in equity reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS:	
Share issued by Flow-through private placements	72,900
Share capital - impact of adjustments	<u>(72,900)</u>
Equity under IFRS	<u><u>(326,117)</u></u>

**15.3 Reconciliation of deficit**

Deficit at the date of transition and at February 28, 2011 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	<u>February 28, 2011</u>
	\$
Deficit under pre-change accounting standards	(6,138,764)
Increases (decreases) in deficit reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS:	
Share issued by Flow-through private placements	<u>72,900</u>
Deficit under IFRS	<u><u>(6,065,864)</u></u>

**15.4 Presentation differences**

Certain presentation differences between pre-change accounting standards and IFRS have no impact on reported loss or total equity.

As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to pre-change accounting standards, although the assets and liabilities included in these line items are unaffected.

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the nine months ended February 29, 2012 and 2011**  
(Unaudited)

The following table shows the total effect of the transition on the consolidated statement of financial position ended February 28, 2011:

Pre-change accounting standards description	Notes	Previous GAAP	Effect of transition to IFRS	IFRS	IFRS description
		\$	\$	\$	
<b>ASSETS</b>					<b>ASSETS</b>
<b>Current assets</b>					<b>Current</b>
Receivables		7,999	-	7,999	Receivables
<b>Total assets</b>		<u>7,999</u>	<u>-</u>	<u>7,999</u>	<b>Total assets</b>
<b>LIABILITIES</b>					<b>LIABILITIES</b>
<b>Current liabilities</b>					<b>Current</b>
Accounts payables and accrued liabilities		250,095	-	250,095	Trade and other payables
Due to Individuals		15,000	-	15,000	Due to Individuals
Due to Directors		69,021	-	69,021	Due to Directors
<b>Total liabilities</b>		<u>334,116</u>	<u>-</u>	<u>334,116</u>	<b>Total liabilities</b>
<b>Shareholders deficiency</b>					<b>EQUITY</b>
Capital stock		5,328,036	72,900	5,255,136	Share capital
Contributed surplus		484,611	-	484,611	Contributed surplus
Deficit		<u>(6,138,764)</u>	<u>72,900</u>	<u>(6,065,864)</u>	Deficit
		(326,117)	-	(326,117)	<b>Total liabilities and equity attributable to owners of the company</b>
		<u>7,999</u>	<u>-</u>	<u>7,999</u>	<b>Total liabilities and equity</b>

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the nine months ended February 29, 2012 and 2011**  
(Unaudited)

The following table shows the total effect of the transition on the consolidated statement of comprehensive loss :

Pre-change accounting standards description	Three-month period ended			Nine-month period ended			IFRS description
	February 28, 2011			February 28, 2011			
Notes	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS	
	\$	\$	\$	\$	\$	\$	
Professional Fees	-	-	-	1 616	-	1 616	Consulting and professional fees
<b>Operating loss</b>	-	-	-	1 616	-	-	<b>Operating loss</b>
<b>Loss for the period attributable to owners of the company</b>	-	-	-	-	-	-	<b>Loss for the period attributable to owners of the company</b>
	-	-	-	1 616	-	1 616	
<b>Total comprehensive loss for the period attributable to owners of the company</b>	-	-	-	1 616	-	1 616	<b>Total comprehensive loss for the period attributable to owners of the company</b>

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the nine months ended February 29, 2012 and 2011**  
(Unaudited)

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**16. RELATED PARTY TRANSACTIONS**

The Company's related parties include its associate, a related company and joint key management.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Management believes that related party transactions have been executed under the same conditions as transactions with unrelated third parties; these transactions took place in the ordinary course of business and were measured at the exchange value representing the amount of consideration paid.

**16.1 Transactions with an associate**

The company owe \$ 28,000 to a Company controlled by a director of the Company for advances made.

**17. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern;
- To increase the value of the assets of the business;
- To provide an adequate return to owners of the parent.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in Note 9 and in the consolidated statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which an amount should be used for exploration work. See all details in Notes 9.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Company might return to shareholders, issue new shares, or sell assets to reduce debt.

**18. FINANCIAL RISKS**

The Company is exposed to various financial risks through its financial instruments: Market risk, credit and liquidity risk. The Company's financial assets and liabilities by category are summarized in Note 12.

The Company focuses on actively securing short-term cash flows by minimizing the exposure to financial markets. Market risk is the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to the following three types of market risk: currency risk, interest rate risk and other price risk. The fair value increased is described in Note 12.

No changes were made in the objectives, policies and processes related to financial instruments risk management during these reporting periods. The Company does not use financial assets for speculative purposes. The most significant financial risk to which the Company is exposed is described below.

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the nine months ended February 29, 2012 and 2011**  
(Unaudited)

**18.1 Credit risk**

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

Financial assets	February 29, 2012	May 31, 2011
	\$	\$
Loans and receivables		
Cash and cash equivalents	152	-
Receivables	13,389	7,999
Carrying amounts	13,541	7,999

The Company has no trade accounts. The other receivables are mainly receivables from directors, consultants and an associate. The exposure to credit risk for the Company's receivables is considered immaterial. The Company continuously monitors defaults of counterparties. No impairment loss has been recognized in the periods presented.

The Company's management considers that all the above financial assets that are not impaired or past due for each of reporting dates under the review are good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and cash equivalent, and guaranteed investment certificates is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**18.2 Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by the delivering cash or another financial asset.

Over the past year, the Company has financed its exploration programs, its working capital requirement and acquisitions of mining properties through private and flow-through financings.

The following table presents contractual maturities (including interest payments where applicable), of the Company's liabilities:

	Less than one year
	\$
February 29, 2012	
Trade and other payables	118,719
	Less than one year
	\$
May 31, 2011	
Trade and other payables	75,111

**18.3 Market risk**

The company is exposed to risks from exchange rates, interest rates and market prices that affect its financial liabilities, financial assets and future transactions.

**Ressource Affinor Inc**  
**Notes to interim Financial Statements**  
**For the nine months ended February 29, 2012 and 2011**  
(Unaudited)

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**18.4 Commodity price risk**

The future profitability of the company is directly related to the market price of gold. Fluctuations in the gold price could create volatility in the Company's future cash flows and the future reported amounts for sales and production costs in its consolidated statement of income and comprehensive income, both on a period-to-period basis and compared with operating budgets and forecasts. The Company is not counterparty to any financial instruments exposed to commodity price risk.

**18.5 Notes to reconciliation**

**a) Business combination**

The Company has elected not to restate business combinations that occurred before the date of transition to IFRS. There are only minor differences between the accounting for business combinations under pre-change accounting standards and IFRS. No difference has been recorded for the acquisitions, i.e. there are no adjustments to the acquired identifiable assets and liabilities.

**b) Share-based payments**

Under pre-change accounting standards, for grants of share-based payments with graded vesting, the total fair value of the awards is recognized on a straight-line basis over the employment period necessary to vest the awards. Moreover, forfeitures of awards are recognized as they occur.

Under IFRS 2, each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. Also, an estimate of the number of share-based payments expected to be forfeited is required, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate.

There is no impact for the shared-based payments.

**c) Deferred taxes**

Deferred taxes have been adjusted for the changes to net book values arising as a result of the adjustments for first-time adoption of IFRS as discussed above.

**18.6 Statement of cash flows**

Under pre-change accounting standards, interest paid and received were presented through the notes. Under IFRS, interests are allocated to investing and financing activities where they can be identified with transactions within those categories. There are no other material adjustments to the statement of cash flows. The components of cash and cash equivalents under pre-change accounting standards are similar to those presented under IFRS.

**19. Subsequent events**

No subsequent events.