

**Royal Monashee Gold Corp.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**For the three months and six months ended March 31, 2012**

**(Unaudited – Expressed in Canadian Dollars)**

# Royal Monashee Gold Corp.

3979 Willow Street  
Vancouver, B.C.  
V5Z 3R4

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-201, Part 4, subsection 4.3(3(a)), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been review by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

*James Timms*

James Timms  
President

# Royal Monashee Gold Corp.

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited – Expressed in Canadian Dollars)

	March 31, 2012	September 30, 2011	October 1, 2010
<b>ASSETS</b>			
CURRENT ASSETS			
Cash	\$ 18,249	\$ 5,012	\$ 17,322
Amounts receivable	<u>2,041</u>	<u>2,041</u>	<u>420</u>
	<u>\$ 20,290</u>	<u>\$ 7,053</u>	<u>\$ 17,742</u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ <u>0</u>	\$ <u>33,693</u>	\$ <u>22,033</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
SHARE CAPITAL (Note 4)	777,030	724,037	724,037
DEFICIT	<u>(756,740)</u>	<u>(750,677)</u>	<u>(728,328)</u>
	<u>20,290</u>	<u>(26,640)</u>	<u>(4,291)</u>
	<u>\$ 20,290</u>	<u>\$ 7,053</u>	<u>\$ 17,742</u>

GOING CONCERN AND NATURE OF OPERATIONS (Note 1)

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

These condensed interim financial statements were approved for issue by the Board of Directors on May 18, 2012 and are signed on its behalf by:



\_\_\_\_\_, Director  
James Timms



\_\_\_\_\_, Director  
Martin Woodward

# Royal Monashee Gold Corp.

## CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited – Expressed in Canadian Dollars)

	Six months ended March 31,		Three months ended March 31,	
	2012	2011	2012	2011
<b>EXPENSES</b>				
Bank charges and interest	\$ 95	\$ 2	\$ 45	\$
Professional fees	\$ 200	\$ 7384	\$ 0	\$ 6,398
Regulatory fees	\$ 5768	\$ 6257	\$ 4,711	\$
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>				
	\$ -6,063	\$ -13,643	\$ -4,756	\$ -6,398
<b>LOSS PER SHARE, basic and diluted</b>				
	\$ -	\$ -	\$ -	\$ -
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic and diluted</b>				
	\$ 6,853,700	\$ 5,973,700	\$ 6,853,700	\$ 5,973,700

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

**Royal Monashee Gold Corp.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited – Expressed in Canadian Dollars)

	Share capital			Total shareholders' equity (deficiency)
	Number of shares	Amount	Deficit	
Balance at September 30, 2011	5,973,700	\$ 724,037	\$ (750,677)	\$ (26,640)
Private placement (Note 4)	880,000	52,993	–	52,993
Loss for the period	–	–	(6,063)	(6,063)
Balance at March 31, 2012	<u>6,853,700</u>	<u>\$ 777,030</u>	<u>\$ (756,740)</u>	<u>\$ 20,290</u>
Balance at September 30, 2010	5,973,700	\$ 724,037	\$ (728,328)	\$ (4,291)
Loss for the period	–	–	(13,643)	(13,643)
Balance at March 31, 2011	<u>5,973,700</u>	<u>\$ 724,037</u>	<u>\$ (735,573)</u>	<u>(17,934)</u>

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

**Royal Monashee Gold Corp.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – Expressed in Canadian Dollars)

	Six months ended March 31,	
	2012	2011
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (6,063)	\$ (13,643)
Adjustments to reconcile net cash provided by operating activities		
Increase (decrease) in accounts payable and accrued liabilities	(33,693)	–
	<u>(39,063)</u>	<u>(13,643)</u>
<b>FINANCING ACTIVITY</b>		
Proceeds from issuance of shares	<u>52,933</u>	<u>–</u>
<b>INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	(13,932)	(13,643)
CASH, beginning of period	<u>5,012</u>	<u>17,322</u>
CASH, end of period	<u>\$ 18,249</u>	<u>\$ 3,679</u>

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

# Royal Monashee Gold Corp.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### For the three months ended March 31, 2012

(Unaudited – Expressed in Canadian Dollars)

---

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

The Company was incorporated in Alberta on March 10, 1997. On June 22, 2006 the Company moved its incorporation jurisdiction to British Columbia. The Company's principle office is located at 3979 Willow Street, Vancouver, British Columbia, V5Z 3R4.

The Company has historically been a junior resource exploration company engaged in the acquisition and exploration of unproven mineral interests in Canada. As at March 31, 2012 the Company retained no exploration and evaluation assets as the exploration and evaluation assets previously held were written off in 2007. The ability of the Company to acquire a mineral property and potentially realize future profitability from production is entirely dependent on obtaining the necessary financing to acquire and develop a suitable resource property.

As at March 31, 2012, the Company has working capital of \$ 20,290 (September 30, 2011 – negative \$ 26,640) and a deficit of \$ 756,740 (September 30, 2011 – \$ 750,677). In light of negative cash flows from operating activities and recurring operating losses, the ability of the Company to operate as a going concern is uncertain and is dependent on continued financial support from its shareholders, the ability to develop viable business opportunities, and the ability to obtain adequate financing to meet operating requirements and to commence profitable operations.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown in the financial statements, should the Company be unable to continue as a going concern. Failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis. The interim condensed consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of, liabilities which would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

#### 2. ACCOUNTING POLICIES

##### **Conversion to international financial reporting standards**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These condensed interim financial statements represent the Company's initial presentation of its results and financial position under IFRS. These condensed interim financial statements for the three months ended December 31, 2011 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of IFRS* along with the accounting policies the Company expects to adopt in its September 30, 2012 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

As these are the Company's first condensed interim financial statements prepared in accordance with IFRS, the Company's financial statements disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2011 annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In fiscal year 2013 and beyond, the Company may not provide the same amount of disclosure in the Company's condensed interim financial statements under IFRS as the reader will be able to refer to the annual financial statements which will be prepared in accordance with IFRS.

# Royal Monashee Gold Corp.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### For the three months ended March 31, 2012

(Unaudited – Expressed in Canadian Dollars)

---

#### 2. ACCOUNTING POLICIES - continued

##### **Basis of preparation**

These condensed interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flows information.

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They also have been applied in preparing an opening IFRS statement of financial position at October 31, 2010 for the purposes of the transition to IFRS 1, First Time Adoption of International Financial Reporting Standards (“IFRS 1”). The impact of the transition from Canadian GAAP to IFRS is explained in Note 7.

##### **Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are continuously assessed by management. The estimates and assumptions are based on historical experience and other factors, including realistic assessment of future developments. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next fiscal year include the assumptions and estimates relating to but not limited to, fair values for purposes of impairment analysis and the realizable value of deferred income tax assets.

##### **Earnings (loss) per share**

Earnings (loss) per share is calculated using the weighted average number of common shares issued and outstanding during the year. Diluted earnings (loss) per share is presented using the treasury stock method and is calculated by dividing the net income (loss) applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

##### **Impairment of non-financial assets**

Impairment tests for non-financial assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the non-financial asset's recoverable amount is calculated. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. If the carrying value of a non-financial asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the non-financial asset to its recoverable amount.

##### **Provisions for site restoration**

Obligations to retire a non-current asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or an event occurs giving rise to such an obligation. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company. The Company believes it has conducted its exploration and evaluation activities in compliance with applicable environment laws and regulations.



# Royal Monashee Gold Corp.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### For the years ended three months ended March 31, 2012

Unaudited – Expressed in Canadian Dollars)

---

#### 2. ACCOUNTING POLICIES - continued

On initial recognition, the estimated fair value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-current asset. The liability is increased over time through periodic charges to profit and loss. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Company is not presently aware of any such obligations.

#### **Income taxes**

Income tax expense is comprised of current and deferred income taxes. Current and deferred income taxes are recognized in profit and loss, except for income taxes relating to items recognized directly in equity or other comprehensive income.

Current income taxes, if any, are the expected amount payable or receivable on the taxable income or loss for the year, calculated in accordance with applicable taxation laws and regulations, using income tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to amounts payable or receivable relating to previous years.

Deferred income taxes are provided using the liability method based on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the interim condensed consolidated financial statements. Deferred income taxes is determined using income tax rates and income tax laws and regulations that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

#### **Exploration and evaluation assets**

Acquisition, exploration, development and field support costs directly relating to exploration and evaluation assets are deferred until the interests to which they relate are placed into production, sold or abandoned. The deferred costs will be amortized over the life of the orebody following commencement of production or written off if the exploration and evaluation asset is sold or abandoned. Administration costs and other exploration costs that do not relate to any specific exploration and evaluation asset are expensed as incurred.

Although the Company had no exploration and evaluation asset as at September 30, 2011; should any be acquired in the future, management will periodically review the carrying values of its deferred mineral interests with a view to assessing whether there has been any impairment in value. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or interest will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or interest.

#### **Financial instruments**

##### *Financial assets*

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss is measured at fair value with unrealized gains and losses recognized through profit and loss. Cash is classified as fair value through profit or loss.

# Royal Monashee Gold Corp.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### For the three months ended March 31, 2012

(Unaudited – Expressed in Canadian Dollars)

---

#### 2. ACCOUNTING POLICIES - continued

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with realized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At December 31, 2011 the Company has not classified any financial assets as available for sale.

##### *Financial liabilities*

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At December 31, 2011, the Company has not classified any financial liabilities as fair value through profit or loss.

##### *Share capital*

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

##### **Transaction costs**

The Company recognizes transaction costs incurred in connection with the issuance of capital as share issuance costs which are netted against gross proceeds from related transactions rather than being expensed as incurred. Transaction costs for assets and liabilities classified as “fair value through profit or loss” or “available for sale” are expensed as incurred. Transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

##### **Effective interest method**

The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

##### **Share-based payments**

The fair value, at the grant date, of equity-settled shares awards is charged to comprehensive loss over the period for which the benefits of employee and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the share award reserve. The fair value of awards is calculated using the Black-Scholes pricing model which considers the following factors:

- Exercise price
- Expected volatility
- Risk-free interest rate
- Expected live of the award
- Current market price of the underlying shares
- Expected forfeitures

Share-based payments include warrants issued for finders fees and are recognized at fair value as estimated using the Black-Scholes pricing model. The estimated fair values of awards of stock-based payments are charged to share issue costs with offsetting amounts recognized as contributed surplus.

# Royal Monashee Gold Corp.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### For the three months ended March 31, 2012

(Unaudited – Expressed in Canadian Dollars)

---

#### 3. NEW ACCOUNTING STANDARD AND RECENT PRONOUNCEMENTS

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after January 1, 2012 or later periods.

IFRS 9, Financial Instruments, Classification and Measurement, effective for the Company's annual reporting periods beginning January 1, 2013. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The Company anticipates that the adoption of this standard will have no material impact on its financial statements except for additional disclosures.

IFRS 10 Consolidated Financial Statements, effective the Company's annual reporting periods beginning January 1, 2013. Early application is permitted. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidated – Special Purpose Entities". The company is currently evaluating the impact of this standard on its financial statements.

IFRS 11 Joint Arrangements, effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS supersedes the current IAS 31 "Interest in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures". The Company is currently evaluating the impact of this standard on its financial statements.

IFRS 12 Disclosure of Interest in Other Entities, IFRS 12 effective for annual periods beginning on or after January 1, 2013. Earlier applications is permitted, IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The Company is currently evaluating the impact of this standard on its financial statements.

IFRS 13 Fair Value Measurements is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). The Company is currently evaluating the impact of this standard on its financial statements.

IFRS 7 Financial instruments: disclosure The Accounting Standards Board approved the incorporation of the IASB's amendments to IFRS 7 Financial Instruments: Disclosures and the related amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards into Part 1 of the Handbook. These amendments were made in January 2011 and are effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted. The Amendments relate to required disclosures for transfers of financial assets to help users of the financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The Company is currently evaluating the impact of IFRS 7 on its financial statements.

#### 4. SHARE CAPITAL

Authorized  
100,000,000 common shares without par value

During the three months period ended December 31, 2011 the Company issued 880,000 common shares for value of \$ 0.10 and \$ 0.55 per share.

# Royal Monashee Gold Corp.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### For the three months ended March 31, 2012

(Unaudited – Expressed in Canadian Dollars)

---

#### 5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### a) Fair value

###### Fair value hierarchy

IFRS 7 establishes a fair value hierarchy, for financial instruments measured at fair value, that reflects the significance of inputs used in making fair value measurements as follows:

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

The fair value of cash is based on Level 1 inputs for the fair value hierarchy.

The fair value of financial instruments at March 31, 2011 and December 31, 2010 are summarized as follows:

	March 31, 2012		September 30, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Fair value through profit or loss				
Cash	\$ 18,249	\$ 18,249	\$ 5,012	\$ 5,012
Loans and receivables				
Amount receivable	2,041	2,041	2,041	2,041
<b>Financial liabilities</b>				
Other financial liabilities				
Account payable and accrued liabilities	\$ 0	\$ 0	\$ 33,693	\$ 33,693

##### b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

###### Liquidity risk

The Company attempts to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is available on demand. See also Note 1.

###### Fair value

The carrying amount for cash, and accounts payable and accrued liabilities in the balance sheet approximate fair value because of the short-term nature of these instruments

###### Credit risk

Cash is exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items. The Company holds its cash with financial institutions that are believed to be credit worthy.

# Royal Monashee Gold Corp.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### For the three months ended March 31, 2012

(Unaudited – Expressed in Canadian Dollars)

---

#### 6. CAPITAL MANAGEMENT

The Company's objective when managing capital, defined as equity, is to safeguard the entity's ability to continue as a going concern, so that it can acquire and explore exploration and evaluation assets. As the Company presently has no revenue, the Company funds all administration and exploration programs from the sale of common shares, generally through private placements. If the Company is unsuccessful in raising sufficient capital, exploration programs are extended, delayed, or cancelled.

#### 7. TRANSITION TO IFRS

The Company's financial statements for the year ending September 30, 2012 will be the first annual financial statements that comply with IFRS and these interim condensed financial statements were prepared as described in note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement, in those financial statements, of compliance with IFRS. The Company will make this statement when it issues its 2012 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was October 31, 2010 (the "transition date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be September 30, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption.

##### a) Initial elections upon IFRS adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

##### *IFRS Exemption options*

Share-based payments – IFRS 2 Share-based payments encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the transition date. No adjustments were recorded as a result of applying this exemption.

##### *IFRS Mandatory exceptions*

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

##### b) Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income (loss) and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive loss.

**Royal Monashee Gold Corp.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**For the three months ended March 31, 2012**  
(Unaudited – Expressed in Canadian Dollars)

7. **TRANSITION TO IFRS** – continued

Reconciliation of assets liabilities and equity

	As at October 1, 2010			As at March 31, 2012			As at September 30, 2011		
	Canadian GAPP	Effective of transition to IFRS	IFRS	Canadian GAPP	Effective of transition to IFRS	IFRS	Canadian GAPP	Effective of transition to IFRS	IFRS
<b>ASSETS</b>									
CURRENT ASSETS									
Cash	\$ 17,322	\$ –	\$ 17,322	\$ 18,249	\$ –	\$ 18,249	\$ 5,012	\$ –	\$ 5,012
Amounts receivable	420	–	420	2,041	–	2,041	2,041	–	2,041
<b>TOTAL ASSETS</b>	<b>\$ 17,742</b>	<b>\$ –</b>	<b>\$ 17,742</b>	<b>\$ 20,290</b>	<b>\$ –</b>	<b>\$ 20,290</b>	<b>\$ 7,053</b>	<b>\$ –</b>	<b>\$ 7,053</b>
<b>LIABILITIES</b>									
CURRENT LIABILITIES									
Account payable and accrued liabilities	\$ 22,033	\$ –	\$ 22,033	\$ 0	\$ –	\$ 0	\$ 33,693	\$ –	\$ 33,693
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>									
SHARE CAPITAL	724,037	–	724,037	777,030	–	777,030	724,037	–	724,037
DEFICIT	(728,328)	–	(728,328)	(756,740)	–	(756,740)	(750,677)	–	(750,677)
	<b>\$ 17,742</b>	<b>\$ –</b>	<b>\$ 17,742</b>	<b>\$ 20,290</b>	<b>\$ –</b>	<b>\$ 20,290</b>	<b>\$ 7,053</b>	<b>\$ –</b>	<b>\$ 7,053</b>

# Royal Monashee Gold Corp.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2012

(Unaudited – Expressed in Canadian Dollars)

### 7. TRANSITION TO IFRS – continued

Reconciliation of comprehensive loss

	Three months ended March 31, 2012			Year ended September 30, 2011		
	Canadian GAAP	Effects of transition IFRS	IFRS	Canadian GAAP	Effects of transition IFRS	IFRS
<b>EXPENSES</b>						
Bank charges and interest	\$ 45	\$ –	\$ 45	\$ 7	\$ –	\$ 7
Professional fees	0	–	0	13,888	–	13,888
Regulatory fees	4,711	–	1,057	8,454	–	8,454
LOSS BEFORE OTHER ITEMS	(4,756)	–	(4,756)	(22,349)	–	(22,349)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (1,307)	\$ –	\$ (4,756)	\$ (22,349)	\$ –	\$ (22,349)

# Royal Monashee Gold Corp.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### For the three months ended March 31, 2012

(Unaudited – Expressed in Canadian Dollars)

---

#### 7. TRANSITION TO IFRS – continued

##### c) Changes in accounting policies

###### *Share-based payments*

IFRS 2 is effective for the Company as of January 1, 2010 and is applicable to share options and other share-based payments that are not vested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Share options and other share-based payments prior to November 7, 2002 are not taken in account under IFRS 2;
- Share options and other share-based payments subsequent to November 7, 2002 are only taken into account if they have not vested as at January 1, 2010;
- From January 1, 2010, all share options and other share-based payments will be expensed in accordance with the policy stated in Note 2.

###### *Recognition of expense*

Canadian GAAP – For share option awards and other share-based payments with graded vesting, the total fair value of the award is recognized on a straight-line basis over the period necessary to vest the award.

IFRS – 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. The Company issues share purchase warrants but does not issue any share options; hence this change in policy had no effect on the Company's financial statements.

###### *Forfeitures*

Canadian GAAP – Forfeitures of award are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. The Company issues share purchase warrants but does not issue any share options; share options vest immediately when awarded; hence this change in policy had no effect on the Company's financial statements.