

**RENFORTH RESOURCES INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**Three and Nine Months Ended September 30, 2011**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

**NOTICE TO SHAREHOLDERS**

**Responsibility for Financial Statements** The accompanying interim financial statements of Renforth Resources Inc. for the three and nine months ended September 30, 2011 and 2010 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see notes 2 & 3 to the interim consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

**Auditors Involvement**

The external auditors of Renforth Resources Inc., have not audited or performed a review of the unaudited interim financial statements for the three and nine months ended September 30, 2011 and 2010 nor have they conducted any procedures with respect to the supplementary financial schedules included herein.

**RENFORTH RESOURCES INC.****Condensed Interim Statements of Financial Position (unaudited)**

(Expressed in Canadian dollars)

	As at September 30, 2011	As at December 31, 2010	As at January 1, 2010
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 190,897	\$ 943,408	\$ 496,095
Sales tax receivable	15,109	35,789	7,846
Prepaid expenses and deposits	155,853	152,984	152,977
Advances on exploration expenditures	51,219	12,604	-
	<b>413,078</b>	<b>1,144,785</b>	<b>656,918</b>
<b>Non-current assets</b>			
Equipment (note 5)	3,221	2,675	3,748
Exploration and evaluation assets (note 6)	6,397,748	5,968,138	5,674,398
	<b>6,400,969</b>	<b>5,970,813</b>	<b>5,678,146</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,814,047</b>	<b>\$ 7,115,598</b>	<b>\$ 6,335,064</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities (note 7)	\$ 548,887	\$ 566,037	\$ 358,381
Liabilities for shares to be issued (note 8(d))	-	348,000	275,000
	<b>548,887</b>	<b>914,037</b>	<b>633,381</b>
<b>Capital and Deficit</b>			
Share Capital (note 8 (b))	\$ 10,529,703	\$ 10,115,926	\$ 9,122,244
Shares to be issued (note 8(e))	-	-	147,682
Warrants (note 8 (c))	294,073	294,073	-
Contributed surplus (note 8 (g))	1,239,460	1,193,306	1,141,133
Accumulated other comprehensive income	-	-	-
Accumulated deficit	(5,798,076)	(5,401,744)	(4,709,376)
	<b>6,265,160</b>	<b>6,201,561</b>	<b>5,701,683</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 6,814,047</b>	<b>\$ 7,115,598</b>	<b>\$ 6,335,064</b>

**Going concern (note 1)****Commitments and options (notes 6 and 11)***The accompanying notes are an integral part of these condensed interim financial statements.*

Approved by the Board

Signed:

"Judi Wood", Director

Signed:

"David Danziger", Director

**RENFORTH RESOURCES INC.****Condensed Interim Statements of Loss and Comprehensive Loss**

For the three and nine months ended September 30, 2011 and 2010 (unaudited)

(Expressed in Canadian dollars)

	Three Months Ended 2011	September 30 2010	Nine Months Ended 2011	September 30 2010
<b>Expenses</b>				
General and corporate ( <i>note 14</i> )	\$ 114,411	\$ 103,301	\$ 350,232	\$ 326,966
Share based payments ( <i>note 8f</i> )	6,564	-	46,154	-
<b>Loss before other items</b>	(120,975)	(103,301)	(396,386)	(326,702)
<b>Other items</b>				
Interest income	-	-	54	708
<b>Net loss and comprehensive loss for the period</b>	\$ (120,975)	\$(103,301)	\$(396,332)	\$(326,258)
<b>Basic and fully diluted (loss) per share (<i>note 9</i>)</b>	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)

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

**RENFORTH RESOURCES INC.****Condensed Interim Statements of Cash Flows**

For the three and nine months ended September 30, 2011 and 2010 (unaudited)

(Expressed in Canadian dollars)

	Three Months Ended 2011	Sept 30 2010	Nine Months Ended 2011	Sept 30 2010
<b>Cash flow from operating activities</b>				
Net loss for the period	\$ (120,975)	\$ (103,301)	\$ (396,332)	\$ (326,258)
Items not affecting cash				
Share based payments	6,564	-	46,154	-
Amortization	227	268	681	804
	(114,184)	(103,033)	(349,497)	(325,454)
Changes in non-cash working capital				
Sales tax receivable	1,226	(73,075)	20,680	(174)
Accounts payable and accrued liabilities	17,894	14,296	50,850	11,713
Prepaid expenses	2,924	1,648	(2,869)	(1,517)
	(92,140)	(160,164)	(280,836)	(315,432)
<b>Cash flow from investing activities</b>				
Additions to exploration and evaluation assets	(25,880)	(17,353)	(431,833)	(44,849)
Advances for exploration expenditures	7,210	-	(38,615)	-
Additions of equipment	-	-	(1,227)	-
	(18,670)	(17,353)	(471,675)	(44,849)
<b>(Decrease) in cash and cash equivalents</b>	(110,810)	(177,517)	(752,511)	(360,281)
<b>Cash and cash equivalents beginning of period</b>	301,707	313,332	943,408	496,096
<b>Cash and cash equivalents, end of period</b>	\$ 190,897	\$ 135,815	\$ 190,897	\$ 135,815

*Supplemental information (note 12)**The accompanying notes are an integral part of these condensed interim financial statements.*

**RENFORTH RESOURCES INC.**

**Condensed Interim Statements of Changes in Equity**

For the nine months ended September 30, 2011 and 2010 (unaudited)

(Expressed in Canadian dollars)

	Share capital	Share capital	Shares to be issued	Contributed surplus	Warrant reserve	Deficit	Total
	#	\$	\$	\$	\$	\$	\$
<b>Balance, January 1, 2010</b>	55,072,575	9,122,244	147,682	1,141,133	-	(4,709,376)	5,701,683
Issued for mineral properties	3,200,000	64,000	(64,000)	-	-	-	-
Issued in accordance with a property agreement	500,000	7,500	(7,500)	-	-	-	-
Issued for services	7,618,230	76,182	(76,182)	-	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	-	(326,258)	(326,258)
<b>Balance, September 30, 2010</b>	66,390,805	9,269,926	-	1,141,133	-	(5,035,634)	5,375,425
Issued under private placement	21,333,334	1,220,000	-	-	-	-	1,220,000
Valuation of warrants issued under private placement	-	(253,497)	-	-	253,497	-	-
Share issue costs	-	(170,503)	-	-	40,576	-	(129,927)
Issued in accordance with property agreement	1,000,000	50,000	-	-	-	-	50,000
Share based payments	-	-	-	52,173	-	-	52,173
Net loss and comprehensive loss for the period	-	-	-	-	-	(366,110)	(366,110)
<b>Balance December 31, 2010</b>	88,724,139	10,115,926	-	1,193,306	294,073	(5,401,744)	6,201,561
Share based payments	-	-	-	46,154	-	-	46,154
Issued for shares owing in accordance with property agreement	6,915,530	345,777	-	-	-	-	345,777
Issued for services	1,360,000	68,000	-	-	-	-	68,000
Net loss and comprehensive loss for the period	-	-	-	-	-	(396,332)	(396,332)
<b>Balance September 30, 2011</b>	96,999,669	10,529,703	-	1,239,460	294,073	(5,798,076)	6,265,160

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

## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

September 30, 2011

(Expressed in Canadian dollars)

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#### **1. NATURE OF BUSINESS AND GOING CONCERN**

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##### **Nature of business**

Renforth Resources Inc. (the “Company” or “Renforth”) carries on business in one segment, being the acquisition, exploration and development of mineral properties. The amounts shown as exploration and evaluation assets do not necessarily represent present or future values.

These condensed interim financial statements were approved by the board on November 21, 2011.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and deferred exploration expenditures and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values of the Company's assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, First Nations claims, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainties.

##### **Going concern assumption**

These financial statements are prepared in accordance with International Financial Reporting Standards with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

The recoverability of the costs incurred to date on exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write-downs to the carrying value of the exploration and evaluation assets. Such adjustments could be material.

## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

September 30, 2011

(Expressed in Canadian dollars)

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## **2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**

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### **Conversion to International Financial Reporting Standards (“IFRS”) and statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), and are covered by IFRS 1, First-time Adoption of International Financial Reporting Standards (“IFRS 1”) because they are part of the period covered by the Company’s first IFRS financial statements for the year ending December 31, 2011. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on December 31, 2011, the Company’s first actual IFRS reporting date. IFRS 1 First Time Adoption of IFRS (“IFRS 1”) has been applied. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”).

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim financial statements. They have also been applied in preparing an opening IFRS statement of financial position at January 1, 2010 (note 13) for the purposes of the transition to IFRS, as required by 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 13.

The condensed interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at December 31, 2010. These are the Company’s first financial statements prepared using IFRS, they include certain disclosures that were not included in those most recent Canadian GAAP annual financial statements, but that are required to be included in annual financial statements prepared in accordance with IFRS.

### **Basis of presentation**

These unaudited condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. These financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for the Company’s first reporting date.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP.

### **Functional currency**

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

### **Significant accounting estimates and judgments**

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

## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

September 30, 2011

(Expressed in Canadian dollars)

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## **2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**

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

### Critical Judgments

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency, management considered the currency that mainly influences the sales prices, and cost of providing goods and services in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- How financial assets and liabilities are categorized is an accounting policy that requires management to make judgments or assessments.

### Estimates

- the recoverability of amounts receivable and prepayments which are included in the condensed interim statement of financial position;
- the estimated useful lives of equipment which are included in the condensed interim statement of financial position and the related depreciation included in the statement of comprehensive loss;
- the estimated value of the exploration and development costs which is recorded in the condensed interim statement of financial position;
- the inputs used in accounting for share based payment expense in the condensed interim statement of comprehensive loss;
- management's position that there is no income tax considerations required within these unaudited condensed financial statements;
- the assessment of indications of impairment of each mineral property and related determination of the net realizable value and write-down of those properties where applicable.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

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### **Exploration and evaluation expenditures**

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all proceeds received for farm-out arrangements or recovery of costs against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of an impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.



## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

September 30, 2011

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Upon transfer of "Exploration and evaluation costs" into "Mine Development", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within "Mine development". After production starts, all assets included in "Mine development" are transferred to "Producing Mines".

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

#### **Asset retirement obligations**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying value of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

#### **Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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Deferred tax is recorded using the asset and liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not-deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **Flow-through shares**

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference. The liability is reduced and the reduction of premium liability is recorded in other income at the time when the Company files the appropriate renunciation forms with the Canadian taxation authorities.

A deferred tax liability is recognized, in accordance with IAS 12, *Income Taxes*, for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks and short term deposits with original maturities of three months or less. The deposits are held in a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank.

#### **Equipment**

Equipment is recorded at cost. Depreciation is provided over its expected useful life using the following methods and annual rates:

Computer	45 % declining balance
Office furniture	20 % declining balance

#### **Loss per share**

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted earnings per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings per share calculation.

## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

September 30, 2011

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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During the nine months ended September 30, 2011 and 2010, all issued and outstanding warrants and options were anti-dilutive and were excluded from the diluted loss per share calculations.

#### **Stock option plan**

The Company has a stock option plan (the "Plan") which is discussed in note 8(f). The Company uses the fair value-based method of accounting for stock-based compensation arrangements. The fair value of each option granted is accounted for in operations over the vesting period of the option using the Black-Scholes option pricing model at the date of grant, with the related increase to contributed surplus. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital.

#### **Foreign currency translation**

The functional and reporting currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Canadian dollar at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in net earnings. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

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

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

#### **Share issue costs**

Costs incurred for the issue of common shares are deducted from share capital.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### Financial Instruments

##### Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the income statement.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. 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.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured 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 and other relevant indicators, 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 the income statement.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the income statement.

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 group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

##### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the income statement.

*Other financial liabilities*: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalents	Fair value through profit and loss
Sales tax receivable	Loans and receivables
Financial Liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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#### **Comprehensive Loss**

Comprehensive loss, composed of net loss and other comprehensive income (loss), is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income (loss) includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive loss are disclosed in the statements of operations, comprehensive loss, and deficit. Cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss ("AOCL") which is presented as a new category in shareholders' equity. As at September 30, 2011, December 31, 2010 and January 1, 2010, the Company does not have any other comprehensive income (loss) items or AOCL; therefore, comprehensive loss is equal to net loss.

#### **New accounting standards and interpretations**

The following standards issued by the IASB or IFRIC are effective for the period ended September 30, 2011 and have been applied in preparing these financial statements:

##### *Related Party Disclosures*

On November 4, 2009, the IASB issued a revised version of IAS 24, *Related Party Disclosures* ("IAS 24"). IAS 24 requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. IAS 24 has simplified the definition of a related party and removed certain of the disclosures required by the predecessor standard.

#### **Future Changes in Accounting Standards not yet adopted**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

#### **IFRS 7 - Financial instruments: disclosures**

The Accounting Standards Board ("AcSB") 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 I of the Handbook. These amendments were made to Part I 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 has not fully assessed the impact of adopting IFRS 7; however, it anticipates that the impact will be limited.

#### **IFRS 9 - Financial instruments**

IFRS 9, "Financial instruments" ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact of IFRS 9 on its results of operations and financial position.

## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

September 30, 2011

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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#### **IFRS 10 - Consolidated Financial Statements**

IFRS 10, "Consolidated Financial Statements" (IFRS 10) was issued by the IASB on May 12, 2011 and will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidated - Special Purpose Entities. IFRS 10 incorporates a single model for consolidating all entities that are controlled and revises the definition of control to be "An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee". Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and continuous reassessment as facts and circumstances change. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 10 on its results of operations and financial position.

#### **IFRS 11 – Joint Arrangements**

IFRS 11, "Joint Arrangements" (IFRS 11) was issued by the IASB on May 12, 2011 and will replace IAS 31, Interest in Joint Ventures. The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidations will be removed and replaced with equity accounting. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 11 on its results of operations and financial position.

#### **IFRS 12 – Disclosure of Interest in Other Entities**

IFRS 12, Disclosure of Interest in Other Entities was issued by the IASB on May 12, 2011. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 12 on its financial statements.

#### **IFRS 13 – Fair Value Measurement**

IFRS 13, Fair Value Measurement was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its consolidated financial statements.

### **4. CAPITAL MANAGEMENT**

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The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants, contributed surplus and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

**RENFORTH RESOURCES INC.****Notes to Condensed Interim Financial Statements (unaudited)**

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(Expressed in Canadian dollars)

**4. CAPITAL MANAGEMENT (continued)**

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended September 30, 2011 and the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

**5. EQUIPMENT**

	<b>Computer equipment</b>	<b>Furniture</b>	<b>Total</b>
<b>Cost</b>			
January 1, 2010	\$ 3,004	\$ 3,964	\$ 6,968
December 31, 2010	3,004	3,964	6,968
Additions	1,227	-	1,227
Dispositions	-	-	-
<b>September 30, 2011</b>	<b>\$ 4,231</b>	<b>\$ 3,964</b>	<b>\$ 8,195</b>
<b>Accumulated Depreciation</b>			
January 1, 2010	\$ 2,110	\$ 1,110	\$ 3,220
Depreciation	502	571	1,073
December 31, 2010	2,612	1,681	4,293
Depreciation	339	342	681
<b>September 30, 2011</b>	<b>\$ 2,951</b>	<b>\$ 2,023</b>	<b>\$ 4,974</b>
<b>Carrying amounts</b>			
January 1, 2010	\$ 894	\$ 2,854	\$ 3,748
December 31, 2010	392	2,283	2,675
<b>September 30, 2011</b>	<b>\$ 1,280</b>	<b>\$ 1,941</b>	<b>\$ 3,221</b>

**RENFORTH RESOURCES INC.****Notes to Condensed Interim Financial Statements (unaudited)**

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(Expressed in Canadian dollars)

**6. EXPLORATION AND EVALUATION ASSETS**

	New Alger J.V	Kyle Properties	Attawapiskat	Total
<b>Acquisition costs</b>				
January 1, 2010	\$ 32,500	\$ -	\$ 847,000	\$ 879,500
Additions	75,000	-	73,000	148,000
December 31, 2010	107,500	-	920,000	1,027,500
Additions	-	-	(2,223)	(2,223)
<b>September 30, 2011</b>	<b>\$ 107,500</b>	<b>\$ -</b>	<b>\$ 917,777</b>	<b>\$ 1,025,277</b>
<b>Exploration</b>				
January 1, 2010	\$ 2,706	\$ 3,530,058	\$ 1,262,134	\$ 4,794,898
Exploration and other geological	142,150	-	3,590	145,740
December 31, 2010	144,856	3,530,058	1,265,724	4,940,638
Exploration and other geological	431,833	-	-	431,833
<b>September 30, 2011</b>	<b>\$ 576,689</b>	<b>\$ 3,530,058</b>	<b>\$ 1,265,724</b>	<b>\$ 5,372,471</b>
<b>Carrying amounts</b>				
January 1, 2010	\$ 35,206	\$ 3,530,058	\$ 2,109,134	\$ 5,674,398
December 31, 2010	252,356	3,530,058	2,185,724	5,968,138
<b>September 30, 2011</b>	<b>\$ 684,189</b>	<b>\$ 3,530,058</b>	<b>\$ 2,183,501</b>	<b>\$ 6,397,748</b>

**Attawapiskat – James Bay Lowlands**

On August 26, 2003, the Company purchased from Greenstone Exploration Company Ltd. (“Greenstone”) and Michael Peplinski, their 10-30% beneficial interest in 12 claims comprising of certain claims in Northern Ontario (the “Renforth Claims”). The purchase closed in escrow on August 26, 2003. The purchase price of \$325,000 payable to Greenstone, consisted of \$50,000 in cash and the balance in common shares of the Company at market prices no later than one year subsequent to the anniversary of the signed agreement. On May 31, 2011 the Company and Greenstone settled the remaining \$275,000 (plus 3% interest accrued from the original due date) by the issuance of 6,915,530 common shares.

On May 7, 2007, the Company entered into an Option Interest Agreement (the “Agreement”) with 1231674 Ontario Limited (“123”) to purchase their 100% interest in four mining claims located in the Attawapiskat district of the James Bay Lowlands in Northern Ontario. Under the terms of the Agreement, the Company purchased a 100% interest in the property for \$250,000, consideration consisting of 500,000 common shares of the Company at a price of \$0.50 per share. 123 will retain a NSR of 2% subject to the right of the Company to purchase one half of the NSR, at any time up to commercial production, for \$1,000,000. The Company currently maintains three of these claims.



## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

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

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On January 22, 2009, the Company finalized the acquisition of 18 claims (consisting of 288 units) located in the James Bay Lowlands, Ontario. Under the terms of the agreement, the Company purchased a 100% interest in these claims in exchange for \$150,000 (paid) and 3,200,000 common shares of the Company valued at \$64,000. The 3,200,000 common shares were issued on February 16, 2010 (see note 6(b)).

##### Kyle Kimberlite Properties

On July 20, 2006, the Company entered into an Option Agreement with Spider Resources Inc. (“Spider”) and KWG Resources Inc. (“KWG”) to earn a 55% interest in five diamondiferous Kyle Kimberlite properties, consisting of eight claims which are comprised of 128 units (the “Kyle Properties”), located in the James Bay Lowlands area of Northern Ontario. At the time of the agreement Spider and KWG owned a 100% interest in the Kyle properties. The 55% interest earn-in was subject to:

1. Completing an exploration and development program of not less than \$6 million over a period of three years, with annual exploration expenditures at the minimum rate of \$2 million; and
2. Contributing, at the end of the option period, its existing claim holdings in the Attawapiskat River area to a mutual venture amongst the Company and Spider/KWG.

Under the terms of the original agreement, the required expenditures under the exploration and development program over the term of the agreement were stated as follows:

By June 30, 2007	\$ 2,000,000
By June 30, 2008	2,000,000
By June 30, 2009	2,000,000

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\$ 6,000,000

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A minimum of 75% of the annual \$2,000,000 exploration and development program was to be dedicated to the Kyle Properties and the balance of the program to be spent on the mining claims of the Attawapiskat property. The Company agreed to fund the project in its entirety for the first \$6,000,000 in expenditures and was to be the operator.

On September 27, 2007 the Company executed an amending letter to the Option Agreement. The terms of the letter were as follows:

- a) Renforth will issue to KWG & Spider (the “Optionors”) 2,000,000 of its common shares in exchange for (i) making up any real or perceived shortfalls in the first \$2 million of expenditures pursuant to the terms of the Option Agreement, (ii) postpone the work costs otherwise due to be incurred on or before June 30, 2008 (pursuant to the Option Agreement) to the later of June 30, 2009 and the date that is one year after the date on which Renforth’s common shares begin trading on the TSX Venture Exchange, and (iii) postpone the work costs otherwise due to be incurred on or before June 30, 2009 (pursuant to the Option Agreement) to the day that is one year after the second payment date.
- b) Upon the issuance of the 2,000,000 common shares, Renforth will receive a fully vested 20% interest in the Kyle Claims, and a subsequent 17.5% fully vested interest for each additional \$2 million in work costs which it incurs on the Kyle Claims, up to a maximum 55% interest. The Optionors will receive a fully vested 9% interest (4.5% each) in the Renforth Claims and subsequent 18% fully vested interests (9% each) at the time that Renforth receives each additional 17.5%, up to a maximum 45% interest (22.5% each) in the Renforth claims.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

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#### **6. EXPLORATION AND EVALUATION ASSETS (continued)**

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An officer and director of Spider was also a director of the Company until September 29, 2009 (on which date he resigned as a director).

During 2010, Renforth analysed the expenses incurred on the property and on October 18, 2010, together with Spider and KWG, concluded that Renforth had completed its 55% earn-in on the Kyle Series of diamondiferous kimberlites in the James Bay Lowlands region of Northern Ontario. As part of the option agreement, KWG and Spider collectively earned a 45% interest in certain massive sulphide targets held by Renforth in the same region. Renforth, Spider and KWG are currently working towards formalizing their relationship in the form of a joint venture agreement.

#### **New Alger Gold Project- Quebec**

On November 1, 2009 Renforth Resources Inc. ("Renforth") entered into an agreement (the "agreement") with Cadillac Ventures Inc ("Cadillac") whereby Renforth shall have the right to acquire from Cadillac a 51% interest in the New Alger gold property in Québec (the "Property"). Renforth may acquire a 51% interest in the Property through (a) the payment of \$250,000 in cash over a period of 3 years to Cadillac, (b) the issuance of 2,500,000 common shares over a period of 2 years to Cadillac and (c) upon spending a minimum of \$2,500,000 in exploration on the Property over a period of 3 years. Upon completion of its obligations, the parties shall be contributing as to the property – 51% Renforth and 49% Cadillac.

As per the agreement Renforth shall pay to Cadillac the following amounts on the following dates:

	Cash	Shares
Formation date	\$10,000 paid	-
Formation date plus 60 days	15,000 paid	500,000 – issued (see note 6(b)(ii))
Formation date plus 12 months	25,000 paid	1,000,000 – issued (see note 6(b)(v))
Formation date plus 24 months	100,000	1,000,000 – (note 15)
Formation date plus 36 months	<u>100,000</u>	<u>-</u>
	<u>\$250,000</u>	<u>2,500,000</u>

#### **Mina Maria Luisa – Spain**

On September 22, 2010, the Company finalized the acquisition of the rights to acquire a 100% interest in the Mina Maria Luisa project (the "Property") located in Southwestern Spain, approximately 30 kilometres from the Aguas Tenidas Mine.

Renforth has obtained the right to acquire a 100% ownership interest in Promotora Minera del Sur, SL ("Promotora"), a corporation which owns the Property, along with the right to explore the Property. Additional terms of the agreement are:

1. During a 5 year period Renforth has the right to rent the Property from Promotora for annual payments of 42,000 Euros, for a total of 210,000 Euros over the complete 5 year term. Upon making the first annual payment of 42,000, Renforth will acquire an initial 5% ownership interest.
2. During the 5 year rental term Renforth has an option to acquire the remaining 95% of Promotora in exchange for a payment of 2,400,000 Euros.
3. Renforth has the right to terminate this agreement at any time.

The Company is still in the due diligence stage.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

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#### **6. EXPLORATION AND EVALUATION ASSETS (continued)**

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Management of the Company believes that the term of the agreement provides Renforth with sufficient time to conduct a prudent level of legal and technical due diligence on the Property. In addition, if Renforth elects to purchase the balance of Promotora, after proving up the value of the Property through a drilling program, the Company will become the sole owner of the Property, not subject to any royalties or concessions.

#### **7. RELATED PARTY TRANSACTIONS AND BALANCES**

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(a) Management transactions

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows for the nine months ended September 30, 2011 and 2010:

	Short-term benefits	Share based payments	Total
David Danziger, Chief Executive Officer	2011 - \$ 90,000 2010 - \$ 90,000	Nil Nil	\$90,000 \$90,000
Kyle Appleby, Chief Financial Officer	2011 - \$60,000 2010 - \$60,000	Nil Nil	\$60,000 \$60,000

As at September 30, 2011 \$441,500 (December 31, 2010 - \$ 351,500) is owed to David Danziger for past management fees and directors fees. This amount is included in accounts payable and accrued liabilities.

As at September 30, 2011 \$47,500 (December 31, 2010 - \$95,000) is owed to two independent directors for director fees owing. This amount is included in accounts payable and accrued liabilities.

During the nine months ended September 30, 2011 the Company was charged \$5,186 (2010-\$25,026) in legal fees from Chitiz Pathak LLP, a law firm (the "firm") in which Paul Pathak, a director of the Company, is a partner of the firm. This amount is unsecured, non-interest bearing, with no fixed terms of repayment.

During the nine months ended September 30, 2011 the Company was charged \$36,000 (2010-\$32,000) in geological consulting fees included in exploration and evaluation assets by Norm Brewster, a director of the Company.

Transactions with related parties are in the normal course of business and are measured at the exchange amount, which is the amount of the consideration established and agreed to between the Company and the related parties.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

## 8. SHARE CAPITAL

### a) Shares authorized

The Company is authorized to issue an unlimited number of preferred and common shares without nominal or par value. No preferred shares have been issued.

### b) Common shares issued and outstanding

Details of shares issued and outstanding are as follows:

	Shares	Amount
Balance, and December 31, 2009 and January 1, 2010	55,072,575	\$ 9,122,244
Issued for mineral properties (i)	3,200,000	64,000
Issued in accordance with a property agreement (ii)	500,000	7,500
Issued for services (iii)	7,618,230	76,182
Issued under private placement (iv)	15,200,000	760,000
Valuation of warrants (iv)	-	(106,400)
Issued in accordance with a property agreement (v)	1,000,000	50,000
Issued under private placement (vi)	6,133,334	460,000
Valuation of warrants (vi)	-	(147,097)
Share Issue costs	-	(170,503)
Balance, December 31, 2010	88,724,139	10,115,926
Issued in accordance with a property agreement (note 8(d))	6,915,530	345,777
Issued for services (vii)	1,360,000	68,000
Balance, September 30, 2011	96,999,669	10,529,703

- (i) During February 2010, the Company issued 3,200,000 common shares at \$0.02 per share in accordance with the terms of the acquisition agreement (see note 6 and 8(e)).
- (ii) During February 2010, the Company issued 500,000 common shares at \$0.015 per share in accordance with a property agreement (see note 6 and 8(e)).
- (iii) On May 1, 2010, the Company issued 7,618,230 common shares at \$0.01 per share to its exploration management company in exchange for past services rendered (see note 8(e)).
- (iv) On October 22, 2010, the Company completed a private placement for gross proceeds of \$760,000 through the sale of 15,200,000 units at an issue price of \$0.05 per unit. Each unit comprised of one non flow-through common share and one-half common share purchase warrant. Each full warrant entitles the holder to acquire one additional non-flow through common share at a price of \$0.10 per share for a period of 24 months. The fair value of the warrants, an amount of \$106,400, was estimated on the date of grant using the Black-Scholes options pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 1.39% and an expected life of 2 years. A cash finder's fee equal to 8% of the gross proceeds, and broker warrants equal to 8% of the number of units issued, was paid to qualifying arms length finders (totaling \$60,800 and 1,216,000 broker warrants). Each broker warrant entitles the holder to acquire one additional common share at an exercise price of \$0.10 for a period of 24 months. The fair value of the broker warrants, an amount of \$17,204, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 1.39% and an expected life of 2 years. All securities issued pursuant to the private placement were subject to a four month hold period following the closing date.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

#### 8. SHARE CAPITAL - continued

- (v) On November 1, 2010, the Company issued 1,000,000 common shares at \$0.05 per share in accordance with a property agreement (see note 6).
- (vi) On November 19, 2010 the Company completed a private placement for gross proceeds of \$460,000 through the sale of 6,133,334 units at an issue price of \$ 0.075 per unit. Each unit comprised of one flow-through common shares and one-half common share purchase warrant. Each full warrant entitles the holder to acquire one additional non-flow through common share at a price of \$0.12 per share for a period of 24 months. The fair value of the warrants, an amount of \$147,097, was estimated on the date of grant using the Black-Scholes options pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 1.64% and an expected life of 2 years. A cash finder's fee equal to 8% of the gross proceeds, and broker warrants equal to 8% of the number of units issued, was paid to qualifying arms length finders (totaling \$36,800 and 490,666 broker warrants). Each broker warrant entitles the holder to acquire one additional common share at an exercise price of \$0.12 for a period of 24 months. The fair value of the broker warrants, an amount of \$23,552, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 1.64% and an expected life of 2 years. All securities issued pursuant to the private placement were subject to a four month hold period following the closing date.
- (vii) On September 23, 2011, the Company issued 1,360,000 common shares at \$0.05 per share for services rendered.

#### c) Share purchase warrants

The following summarizes the activity during the period:

	Warrants outstanding	Value
Balance at December 31, 2009 and January 1, 2010	-	-
Issued October 22, 2010	8,816,000	\$ 123,424
Issued November 19, 2010	3,557,333	170,649
<b>Balance at December 31, 2010 &amp; September 30, 2011</b>	<b>12,373,333</b>	<b>\$ 294,073</b>

Summary of warrants as at September 30, 2011:

Number of Warrants Outstanding	Weighted Average Exercise Price	Black-Scholes Value	Expiry Date	Weighted Average Remaining Life
8,816,000	\$ 0.10	\$ 123,424	22-Oct-12	1.06
3,557,333	0.12	170,649	19-Nov-12	1.14
<b>12,373,333</b>	<b>\$0.106</b>	<b>\$ 294,073</b>		<b>1.09</b>

#### d) Liabilities for shares to be issued

The following details shares to be issued to satisfy existing liabilities:

	As at September 30, 2011	As at Dec. 31, 2010	As at Jan 1 2010
Payable to Greenstone with respect to the Attawapiskat property (note 6).	\$ -	\$ 348,000	\$ 275,000

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

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#### 8. SHARE CAPITAL - continued

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##### e) Shares to be issued

The following details shares to be issued to in the future:

	As at September 30, 2011	As at December 31, 2010
To be issued on the January 22, 2009 acquisition of 18 claims on the Attawapiskat property ( <i>note 4</i> )	\$ -	\$ -
To be issued to Cadillac Ventures for Joint Venture Interest on the New Alger property ( <i>note 4</i> )	-	-
To be issued to Billiken Management Services for Property expenditures	-	-
	\$ -	\$ -

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##### f) Stock option plan

The Company has a stock option plan which provides for the granting of options to purchase common shares to a maximum of 10% of the issued and outstanding common shares of the Company to officers, directors, and other service providers at the discretion of the directors. Each option granted under this Plan shall be exercisable for a maximum period of five years from the date the option is granted to the optionee. Stock options vest over a period of 12 months.

On October 14, 2010 the Company granted 680,000 stock options to its investor relations consultant. Each option is exercisable for one common share at \$0.10. The fair value of the options were estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 100%; expected dividend yield of 0%; risk-free interest rate of 1.40%; and expected life of 1 year. The options were valued at \$17,680 and are being expensed over their vesting period. The options vest quarterly over 12 months from the date of grant.

On October 26, 2010, the Company granted 1,800,000 stock options to directors, officers and consultants of the Company exercisable for one common share at \$0.10 per share, for a five-year period. The fair value of the options was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 100%; expected dividend yield of 0%; risk-free interest rate of 1.42%; and expected life of 5 years. The options were valued at \$73,800 and are being expensed over their vesting period. The options vest quarterly over 12 months from the date of grant.

On September 22, 2011, the Company granted a total of 850,000 stock options to directors and a consultant of the Company exercisable for one common share at \$0.05 per share, for a five year period. The fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 250%; expected dividend yield of 0%; risk-free interest rate of 1.44%; and expected life of 5 years. The options were valued at \$17,000 and are being expensed over their vesting period. The options vest quarterly over 12 months from the date of grant.

For the nine months ended September 30, 2011, stock option expense of \$46,154 (2010 - \$nil) was charged to operations with an equivalent offset credited to contributed surplus to reflect the vested portion of the fair value of stock options granted. Stock-based compensation expense of \$46,154 (2010 - nil) was related to directors, officers and consultants compensation.

**RENFORTH RESOURCES INC.****Notes to Condensed Interim Financial Statements (unaudited)**

September 30, 2011

(Expressed in Canadian dollars)

**8. SHARE CAPITAL - continued**

As at September 30, 2011, the weighted average exercise price of options outstanding and options exercisable are as follows:

	September 30, 2011		December 31, 2010	
	Number	Weighted Average Exercise price	Number	Weighted Average Exercise price
<b>Outstanding – beginning of period</b>	<b>5,930,000</b>	<b>\$ 0.243</b>	<b>3,950,000</b>	<b>\$ 0.270</b>
Expired	(850,000)	\$0.250	(500,000)	0.280
Granted	850,000	\$0.050	2,480,000	0.100
<b>Outstanding – end of period</b>	<b>5,930,000</b>	<b>\$ 0.170</b>	<b>5,930,000</b>	<b>\$ 0.198</b>
<b>Exercisable – end of period</b>	<b>5,292,500</b>	<b>\$ 0.182</b>	<b>4,070,000</b>	<b>\$ 0.243</b>

**f) Stock option plan - continued**

As at September 30, 2011 the Company had the following stock options outstanding:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable	Weighted Average Remaining Life
400,000	0.25	13-Nov-11	400,000	0.12
250,000	0.28	19-Mar-12	250,000	0.47
150,000	0.28	1-Feb-13	150,000	1.34
300,000	0.28	10-Apr-13	300,000	1.53
1,500,000	0.28	10-Nov-13	1,500,000	2.12
680,000	0.10	14-Oct-11	510,000	0.04
1,800,000	0.10	26-Oct-15	1,350,000	4.07
850,000	0.05	22-Sep-16	212,500	4.98
<b>5,930,000</b>			<b>5,292,500</b>	<b>2.63</b>

**g) Contributed surplus**

The following table identifies the changes in contributed surplus for the period:

Balance, January 1, 2010	\$ 1,141,133
Stock-based compensation	52,173
Balance December 31, 2010	1,193,306
Stock-based compensation	46,154
<b>Balance, September 30, 2011</b>	<b>\$ 1,239,460</b>

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

#### 9. LOSS PER COMMON SHARE

The following table sets forth the computation of basic and fully diluted loss per common share:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Numerator:				
Net loss attributable to common shareholders				
- basic and fully diluted	\$ (120,975)	\$ (103,301)	\$ (396,332)	\$ (326,258)
Denominator:				
Weighted average common shares outstanding				
- basic	95,744,284	67,120,375	91,860,958	66,132,183
- fully diluted	114,047,617	71,070,375	110,164,290	70,082,183
Basic and fully diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

The warrants and options outstanding were excluded from the computation of diluted loss per share in 2011 and 2010 period because their impact was anti-dilutive.

#### 10. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures during for the nine months ended September 30, 2011

##### Credit risk

The Company's credit risk is primarily attributable to short-term investments included in cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Short-term investments consist of bankers acceptances, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Other financial instruments consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to these financial instruments is remote.

##### Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2011, the Company had a cash and cash equivalent balance of \$190,897 to settle current financial liabilities of \$548,887. The Company is actively searching for financing to fund its operations.

##### Market risk

###### (a) Interest rate risk

The Company has cash balances and no debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

###### (b) Foreign currency risk

The Company's functional currency is the Canadian dollar and all major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk is negligible and therefore does not hedge its foreign exchange risk.



## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

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#### **10. FINANCIAL RISK FACTORS (continued)**

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##### (c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

##### **Sensitivity analysis**

The Company has designated its cash and cash equivalents and sales tax receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, classified as other financial liabilities, are measured at amortized cost.

As at September 30, 2011, the carrying and fair value amounts of the Company's financial instruments are the same.

The Company's financial instruments that are carried at fair value, consisting of cash equivalents have been classified as Level 1 within the fair value hierarchy.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

Cash and cash equivalents include liquid investments which are at variable rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by \$1,900 annualized.

The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

Price risk is remote since the Company is not a producing entity.

#### **11. COMMITMENTS AND OPTIONS**

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##### **Environmental Contingencies**

The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

- (a) See *note 6* for additional commitments and options on mineral properties.
- (b) The Company renounced \$460,000 of qualifying exploration expenditures to the shareholders in 2010. Under the "look back" provision governing flow-through shares this amount must be spent by the end of 2011. As at September 30, 2011 the full amount had been spent.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

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(Expressed in Canadian dollars)

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## 12. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

For the nine months ended September 30	2011	2010
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
<b>Non-Monetary Transactions:</b>		
Shares issued in exchange for mineral properties	\$ -	\$ 121,500
Shares issued in exchange for mineral properties	\$ 347,777	\$ -
Shares issued in exchange for services	\$ 1,360,000	\$ 76,182
Cash and cash equivalents consist of:		
Cash	\$ 188,459	\$ 830,160
Cash equivalents	<u>\$ 113,248</u>	<u>\$ 113,248</u>
	<u>\$ 301,707</u>	<u>\$ 943,408</u>

## 13. TRANSITION TO IFRS FROM CANADIAN GAAP

The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The Company has prepared its opening IFRS statement of financial position by applying existing IFRS standards in effect at the release of these condensed interim financial statements. However, the opening IFRS statement of financial position and the December 31, 2010 comparative statement of financial position presented in financial statements for the year ending December 31, 2011 may differ from those presented at this time if there are changes to IFRS standards that require retroactive adjustment.

As stated in note 2, consolidated financial statements form part of the year covered by the Company's first annual financial prepared in accordance with IFRS for the year ending December 31, 2011. The accounting policies in note 3 have been applied in preparing the condensed interim financial statements for the period ended September 30, 2011, the comparative information presented in these financial statements for the nine months ended September 30, 2010 and the year ended December 31, 2010 and in preparation of an opening IFRS statement of financial position at January 1, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian generally accepted accounting principles ("GAAP"). An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance, and cash flows is set out below.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities charged or credited to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010:

*(a) Business Combinations*

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has utilized this election and has therefore applied IFRS 3 only to business combinations that occurred on or after January 1, 2010.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

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(Expressed in Canadian dollars)

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#### **13. TRANSITION TO IFRS FROM CANADIAN GAAP (continued)**

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##### *(b) Share-based payment transactions*

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP. There was no adjustment of applying IFRS 2 to unvested options at the transition date.

##### *(c) Mineral property, plant and equipment – deemed cost*

IFRS 1 includes an election to use fair value or revaluation as deemed cost for mineral property, plant and equipment, and is available on an asset-by-asset basis. The IFRS 1 election is separate from the policy choice available to measure long-lived assets at cost or under the revaluation model. The Company has elected not to apply the IFRS 1 exemption to its equipment.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

##### *(d) Estimates*

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

##### *(e) Mineral property, plant and equipment*

IFRS 6 requires that an entity classify each asset in the exploration for and evaluation of mineral resources as tangible or intangible according to the nature of the assets acquired and to apply the classification consistently.

##### *Changes to accounting policies*

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP Statement of Operations and Comprehensive Income, Statement of Financial Position and Statement of Cash Flows have been reconciled to IFRS, with the resulting differences explained.

##### *(a) Flow-through shares*

Under Canadian GAAP, the Company followed the recommendations of the Emerging Issues Committee ("EIC") of the CICA with respect to flow-through shares, as outlined in EIC-146. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

September 30, 2011

(Expressed in Canadian dollars)

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#### **13. TRANSITION TO IFRS FROM CANADIAN GAAP (continued)**

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On transition to IFRS, the Company elected to adopt a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. The liability is reduced and the reduction of premium liability is recorded in other income when the Company files the appropriate renunciation forms with the Canadian taxation authorities.

A deferred tax liability is recognized, in accordance with IAS 12, *Income Taxes*, for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

The effects of this transitional change are as follows:

(1) premium on flow-through shares: (i) increased share capital at January 1, 2010 by \$282,675 and (ii) and increased deficit by \$282,675 with respect to the issuance of flow-through shares prior to January 1, 2010;

(2) the premium paid for flow-through shares in excess of the market value of the shares without the flow through features is initially recognized as a liability and subsequently recorded in other income after the Company filed the appropriate renunciation forms with the Canadian taxation authorities. Accordingly, the deferred premium at January 1, 2010 was reduced and other income increased to reflect the qualifying flow-through expenditures completed prior to December 31, 2010. This had no effect on Deficit, as the future income tax recovery under Canadian GAAP was the same as the income from the sale of the flow through benefits.

(b) Share based payments (related to stock options)

(i) Under IFRS each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches using the accelerated method. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

Under Canadian GAAP the fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.

The effect of applying IFRS 2 was an increase to stock based compensation expense by \$29,303 for the year ended December 31, 2010, with an offsetting adjustment to contributed surplus.

**RENFORTH RESOURCES INC.**

**Notes to Condensed Interim Financial Statements (unaudited)**

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(Expressed in Canadian dollars)

Reconciliation of Equity:

	January 1, 2010			September 30, 2010			December 31, 2010		
	Previous GAAP	Effect of transition	IFRS	Previous GAAP	Effect of transition	IFRS	Previous GAAP	Effect of transition	IFRS
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash and cash equivalents	\$ 496,095	\$ -	\$ 496,095	\$ 135,815	\$ -	\$ 135,815	\$ 943,408	\$ -	\$ 943,408
Sales tax receivable	7,846	-	7,846	8,020	-	8,020	35,789	-	35,789
Prepaid expenses and deposits	152,977	-	152,977	154,494	-	154,494	152,984	-	152,984
Advances on exploration expenditures	-	-	-	-	-	-	12,604	-	12,604
	656,918	-	656,918	298,329	-	298,329	1,144,785	-	1,144,785
<b>Non-current assets</b>									
Equipment	3,748	-	3,748	2,942	-	2,942	2,675	-	2,675
Exploration and evaluation assets	5,674,398	-	5,674,398	5,719,248	-	5,719,248	5,968,138	-	5,968,138
	5,678,146	-	5,678,146	5,722,190	-	5,722,190	5,970,813	-	5,970,813
<b>TOTAL ASSETS</b>	<b>\$ 6,335,064</b>	<b>\$ -</b>	<b>\$ 6,335,064</b>	<b>\$ 6,020,519</b>	<b>\$ -</b>	<b>\$ 6,020,519</b>	<b>\$ 7,115,598</b>	<b>\$ -</b>	<b>\$ 7,115,598</b>
<b>LIABILITIES AND EQUITY</b>									
<b>Current Liabilities</b>									
Accounts payable and accrued liabilities	\$ 358,381	\$ -	\$ 358,381	\$ 370,094	\$ -	\$ 370,094	\$ 566,037	\$ -	\$ 566,037
Liabilities for shares to be issued	275,000	-	275,000	275,000	-	275,000	348,000	-	348,000
	633,381	-	633,381	645,094	-	645,094	914,037	-	914,037
<b>Capital and reserves</b>									
Share Capital	\$ 8,839,569	\$ 282,675	\$ 9,122,244	\$ 8,987,251	\$ 282,675	\$ 9,269,926	\$ 9,833,251	\$ 282,675	\$ 10,115,926
Shares to be issued	147,682	-	147,682	-	-	-	-	-	-
Warrants	-	-	-	-	-	-	294,073	-	294,073
Contributed surplus	1,141,133	-	1,141,133	1,141,133	-	1,141,133	1,164,003	29,303	1,193,306
Accumulated deficit	(4,426,701)	(282,675)	(4,709,376)	(4,752,959)	(282,675)	(5,035,634)	(5,089,766)	(311,978)	(5,401,744)
	5,701,683	-	5,701,683	5,375,425	-	5,375,425	6,201,561	-	6,201,561
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 6,335,064</b>	<b>\$ -</b>	<b>\$ 6,335,064</b>	<b>\$ 6,020,519</b>	<b>\$ -</b>	<b>\$ 6,020,519</b>	<b>\$ 7,115,598</b>	<b>\$ -</b>	<b>\$ 7,115,598</b>

**RENFORTH RESOURCES INC.**

**Notes to Condensed Interim Financial Statements (unaudited)**

September 30, 2011

(Expressed in Canadian dollars)

Reconciliation of Statement of Loss and Comprehensive Loss:

	Three months ended September 30, ,2010			Nine months ended September 30, ,2010			Year ended December 31, 2010		
	Previous GAAP	Effect of transition	IFRS	Previous GAAP	Effect of transition	IFRS	Previous GAAP	Effect of transition	IFRS
<b>Expenses</b>									
Management compensation	\$ 45,000	-	\$ 45,000	\$ 150,000	-	\$ 150,000	\$ 195,000	-	\$ 195,000
Legal and audit	9,344	-	9,344	49,407	-	49,407	111,933	-	111,933
Consulting services	25,000	-	25,000	70,000	-	70,000	190,000	-	190,000
Office and general	23,711	-	23,711	56,186	-	56,186	60,911	-	60,911
Share based payments	-	-	-	-	-	-	22,870	29,303	52,173
Investor relations	-	-	-	-	-	-	83,000	-	83,000
Interest and bank charges	246	-	246	1,373	-	1,373	1,542	-	1,542
Write down of mineral properties	-	-	-	-	-	-	-	-	-
<b>Loss before other items</b>	(103,301)	-	(103,301)	(326,966)	-	(326,966)	(665,255)	29,303	(694,558)
<b>Other items</b>									
Interest income	-	-	-	708	-	708	2,190	-	2,190
<b>Loss before recovery of income taxes</b>	(103,301)	-	(103,301)	(326,258)	-	(326,258)	(663,065)	29,303	(692,368)
Future income tax recovery	-	-	-	-	-	-	-	-	-
<b>Net loss and comprehensive loss for the period</b>	\$ (103,301)	\$ -	\$ (103,301)	\$ (326,258)	\$ -	\$ (326,258)	\$ (663,065)	\$ 29,303	\$ (692,368)

The adoption of IFRS has had no material impact on the net cash flows of the Company. No reconciliations have been presented.

**RENFORTH RESOURCES INC.****Notes to Condensed Interim Financial Statements (unaudited)**

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(Expressed in Canadian dollars)

**14. GENERAL AND CORPORATE EXPENSES**

	Three Months Ended		September 30		Nine Months Ended		September 30	
	2011		2010		2011		2010	
Management compensation	\$	45,000	\$	45,000	\$	150,000	\$	150,000
Administrative and general		7,254		17,245		25,006		34,079
Legal and audit		23,869		9,344		38,406		49,407
Consulting services		14,500		25,000		60,500		70,000
Insurance		2,924		1,498		8,826		5,113
Rent		3,800		3,800		11,401		11,334
Investor relations		15,000		-		50,000		-
Interest and bank charges		-		246		253		1,453
Amortization		227		268		681		805
Stock exchange fees		900		900		2,700		2,790
Transfer agent		937		-		2,459		1,985
	\$	114,411	\$	103,301	\$	350,232	\$	326,966

**15. SUBSEQUENT EVENTS**

On November 11, 2011, the Company issued 1,000,000 common shares in accordance with a property agreement (see note 6).