ROCA MINES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended May 31, 2012

(Expressed in Canadian Funds)

Prepared by Management Without Audit

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed interim consolidated financial statements for the period ended May 31, 2012.

Roca Mines Inc.
Consolidated Statements of Financial Position

Canadian Funds

Unaudited – Prepared by Management

ASSETS	**May 31, 2012**	August 31, 2011 *(Note 13)*	September 1, 2010 *(Note 13)*
Current			
Cash and cash equivalents	**$ 1,503**	$ 12,096	$ 162,357
Accounts receivable	**39,328**	551,988	1,100,161
Prepaid expenses and deposits	**31,592**	152,495	80,170
Inventories *(Note 5)*	**161,653**	565,951	548,010
Marketable securities	**-**	-	7,500
	234,076	1,282,530	1,898,198
Exploration and Evaluation Assets *(Note 6)*	**8,017,499**	7,559,802	7,401,432
Property, Plant and Equipment *(Note 7)*	**2,325,909**	2,399,558	16,443,797
Reclamation Bonds *(Note 9)*	**752,900**	752,900	758,900
Deferred Income Tax Assets	**-**	-	1,515,643
	11,096,308	10,712,260	26,119,772
	$ 11,330,384	$ 11,994,790	$ 28,017,970
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 3,122,158**	$ 2,160,984	$ 4,095,997
Due to related parties *(Note 11d)*	**372,564**	260,494	117,600
	3,235,238	2,421,478	4,213,597
Asset Retirement Obligations *(Note 10)*	**1,144,136**	1,136,744	1,134,388
Other Long Term Liabilities	**-**	4,943	13,766
	4,379,374	3,563,165	5,361,751
SHAREHOLDERS' EQUITY			
Share Capital *(Note 8a)*	**56,862,888**	56,862,888	50,132,397
Contributed Surplus *(Note 8d)*	**13,543,304**	13,543,304	12,841,343
Accumulated Other Comprehensive Loss	**-**	-	(12,500)
Deficit	**(63,455,182)**	(61,974,567)	(40,305,021)
	6,951,010	8,431,625	22,656,219
	$ 11,330,384	$ 11,994,790	$ 28,017,970

Nature of Operations and Going Concern *(Note 1)*

ON BEHALF OF THE BOARD:

"Scott Broughton", Scott E. Broughton, Director

"David Skerlec", David J. Skerlec, Director

- See Accompanying Notes -

Roca Mines Inc.
Consolidated Statements of Loss

Canadian Funds

Unaudited – Prepared by Management

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 2012	May 31, 2011	**May 31, 2012**	May 31, 2011
Revenues	**$ -**	$ -	**$ 2,005,064**	$ 853,628
Cost of sales				
Operating expenses	**76,594**	-	**2,358,923**	1,149,057
Depletion, amortization and accretion	**3,191**	9,307	**35,451**	127,028
Mining income (loss)	**(79,785)**	(9,307)	**(389,310)**	(422,457)
Expenses				
Temporary shutdown costs *(Note 7)*	**188,963**	736,954	**664,060**	2,182,542
General and administrative	**287,260**	246,035	**750,539**	841,881
Write-down of equipment *(Note 7)*	**-**	-	**365,392**	-
Generative property costs	**-**	-	**2,150**	-
(Gain)/Loss on disposal of equipment	**17,645**	(202)	**(483,855)**	(202)
Loss from operations	**(573,653)**	(992,094)	**(1,687,596)**	(3,446,678)
Other income (expenses)				
Gain on METC audit and reclassification	**197,800**	-	**197,800**	-
Interest and other income	**4,347**	3,916	**7,910**	6,471
Foreign exchange gain (loss)	**3,169**	(7,031)	**1,271**	(26,671)
Tax credit on abandoned properties	**-**	-	**-**	199,073
Loss on sale of securities	**-**	(1,775)	**-**	(1,775)
Net Loss for the Period	**$ (368,337)**	$ (996,984)	**$ (1,480,615)**	$ (3,269,580)
Net Loss per share - Basic and Diluted	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.03)
Weighted Average Number of Common Shares Outstanding	**123,864,898**	116,364,898	**123,864,898**	109,174,788

Roca Mines Inc.
Consolidated Statements of Comprehensive Loss

Canadian Funds

Unaudited – Prepared by Management

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 2012	May 31, 2011	**May 31, 2012**	May 31, 2011
Net earnings (loss)	**$ (368,337)**	$ (996,984)	**$ (1,480,615)**	$ (3,269,580)
Reclassification on disposition of marketable securities	**-**	8,500	**-**	8,500
Unrealized gain (loss) on marketable securities	**-**	3,500	**-**	4,000
Comprehensive income (loss)	**$ (368,337)**	$ (984,984)	**$ (1,480,615)**	$ (3,257,080)

- See Accompanying Notes -

Roca Mines Inc.
Consolidated Statements of Changes in Equity

Canadian Funds, except share amounts
Unaudited – Prepared by Management

	Number of Shares	Amount	Contributed Surplus	Accumulated Other Comp. Loss	Deficit	Total
		$	$	$	$	$
Balance as at September 1, 2010	93,164,898	50,132,397	12,841,343	(12,500)	(40,305,021)	22,656,219
Issued for cash during the period:						
Private placement of units	30,400,000	6,926,179	673,821	-	-	7,600,000
Exercise of warrants	300,000	105,000	-	-	-	105,000
Transfer on exercise of warrants	-	25,412	(25,412)	-	-	-
Unit issuance costs	-	(324,224)	51,676	-	-	(272,548)
Share issuance costs on warrant exercise	-	(1,876)	1,876	-	-	-
Loss for the period	-	-	-	-	(3,269,580)	(3,269,580)
Other comprehensive gain and reclassification for the period	-	-	-	12,500	-	12,500
Balance as at May 31, 2011	123,864,898	56,862,888	13,543,304	-	(43,574,601)	26,831,591
Loss for the period	-	-	-	-	(18,399,966)	(18,399,966)
Balance as at August 31, 2011	123,864,898	56,862,888	13,543,304	-	(61,974,567)	8,431,625
Loss and comprehensive loss for the period	-	-	-	-	(1,480,615)	(1,480,615)
Balance as at May 31, 2012	123,864,898	56,862,888	13,543,304	-	(63,455,182)	6,951,010

- See Accompanying Notes -

Roca Mines Inc.
Consolidated Statements of Cash Flows

Canadian Funds

Unaudited - Prepared by Management

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 2012	May 31, 2011	**May 31, 2012**	May 31, 2011
Operating Activities				
Loss for the period	**$ (368,337)**	$ (996,984)	**$ (1,480,615)**	$ (3,269,580)
Items not affected by cash:				
Depletion, amortization, accretion	**8,651**	2,749	**68,507**	127,028
Write-down of equipment	**-**	-	**365,392**	-
Loss on sale of securities		1,775	**-**	1,775
Gain on disposal of equipment	**17,645**	(202)	**(483,855)**	(202)
Changes in non-cash working capital:				
Accounts receivable	**(39,328)**	-	**463,316**	534,148
Inventories	**16,406**	-	**365,333**	193,784
Prepaid expenses and deposits	**80,284**	(1,052)	**104,148**	(8,980)
Accounts payable and accruals	**328,451**	(145,504)	**529,350**	(2,529,379)
	43,772	(1,139,218)	**(68,424)**	(4,951,406)
Investing Activities				
Purchase of plant and equipment	**-**	(163,459)	**(367,241)**	(1,219,393)
Sale of marketable securities	**-**	18,225	**-**	18,225
Sale of equipment	**48,710**	-	**580,710**	-
Reclamation bonds refunded	**-**	6,000	**-**	6,000
Resource property costs	**(139,910)**	(47,688)	**(155,638)**	(248,779)
	91,200	(186,922)	**57,831**	1,443,947
Financing Activities				
Equity issuance proceeds	**-**	2,500,000	**-**	7,705,000
Equity issuance costs	**-**	45,111	**-**	(272,548)
	-	2,480,485	**-**	7,432,452
Net Increase (decrease) in cash and cash equivalents	**(47,428)**	1,154,345	**(10,593)**	1,037,099
Cash and cash equivalents - Beginning of Period	**48,931**	45,111	**12,096**	162,357
Cash and cash equivalents - End of Period	**$ 1,503**	$ 1,199,456	**$ 1,503**	$ 1,199,456

Supplemental Schedule of non-cash Transactions				
Plant and equipment expenditures included in accounts payable	**$ 57,511**	$ 113,467	**$ 118,977**	$ (948,007)
Resource property expenditures included in accounts payable	**$ 93,468**	$ -	**$ 131,797**	$ (105,043)

- See Accompanying Notes -

1. Nature of Operations and Going Concern

Roca Mines Inc. (the "Company") is a Vancouver-based resource company listed on the TSX Venture Exchange under the symbol "ROK".

The Company was incorporated on June 19, 2001 as 629645 BC Ltd. and changed its name to Roca Mines Inc. on April 29, 2002. The Company holds interests in exploration properties in British Columbia and maintains a wholly-owned subsidiary, Minera ROK, S.A. de C.V. to hold potential property interests in Mexico. The Company's wholly-owned subsidiary, FortyTwo Metals Inc., holds title to the MAX Molybdenum Mine southeast of Revelstoke, British Columbia, which is a producer of molybdenite concentrates exported under the terms of an offtake agreement. Production at the MAX Molybdenum Mine has been suspended indefinitely until commodity prices improve and/or until new mine development is completed to support a profitable operation.

The Company's head office is located at Suite 490, 1122 Mainland Street, Vancouver British Columbia Canada, V6B 5L1.

These unaudited condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis and be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the nine months ended May 31, 2012, the Company reported a loss of $1,480,615 and an accumulated deficit of $63,455,182 at that date. The Company had a working capital deficit of $3,001,162 and cash and cash equivalents at May 31, 2012 amounted to $1,503. These circumstances lend significant doubt as to the ability of the Company to continue as a going concern.

Exploration at the Company's Foremore project and SeaGold joint venture has been constrained by available funding and the MAX Molybdenum mine has encountered operating difficulties over the past two years. Continuing operations as a going concern are dependent upon management's ability to reactivate the mine and improve operating margins or to raise adequate financing to ultimately achieve profitable operations in the future on other projects. Although management has been successful in the past; there is no assurance that these initiatives will be successful in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Basis of Preparation

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

The preparation of these condensed interim consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They have also been applied in preparing an opening IFRS balance sheet at September 1, 2010 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.

2. Basis of Preparation - *Continued*

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of July 28, 2012, the date the Board of Directors approved these financial statements. The standards that will be effective or available for adoption in the financial statements for the year ending August 31, 2012 are subject to change and may be affected by additional interpretation. Accordingly, the accounting policies will be finalized when the first consolidated annual IFRS financial statements are prepared as at and for the year ending August 31, 2012.

The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended August 31, 2011 which were prepared in accordance with Canadian GAAP. These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Minera ROK, S.A. de C.V. and FortyTwo Metals Inc. All intercompany transactions, balances, income and expenses have been eliminated on consolidation.

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These unaudited condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company estimates its mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the mineralized body, and requires complex geological judgments. The estimation of whether a particular resource is economic is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the resource. Changes in the estimates may impact the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, restoration provisions, recognition of deferred tax assets, and depreciation and amortization charges.

Estimated resources that are reasonably expected to be mined are used in determining the depreciation and amortization of mine specific assets. This results in depreciation and amortization charges proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed at least annually, has regard to both its physical life limitations and to present assessments of economically recoverable resources of the property at which the asset is located. These calculations require the use of many estimates and assumptions.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves and/or resources. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes

2. Basis of Preparation - *Continued*

available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of loss in the period when the new information becomes available.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Significant judgments and estimates are made when estimating the nature and costs associated with asset retirement provisions. When considering the effect of the extended time period over which costs are expected to be incurred, combined with the estimated discount rate and inflation factors, the fair value of the restoration provisions could materially change from period to period due to changes in the underlying assumptions.

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur.

Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, commodity prices, production costs, interest and foreign currency exchange rates.

3. Significant Accounting Policies

The accounting policies set out below are expected to be adopted for the year ending August 31, 2012 and have been applied consistently to all periods presented in these condensed interim consolidated financial statements and in preparing the opening IFRS balance sheet at September 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Functional currency and foreign currency translation

These financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss.

b) Accounts Receivable

Accounts receivable are carried at the lower of cost or net realizable value. The receivables are reviewed on a periodic basis to determine collectability. Collectability is determined on an individual customer basis based on payment history, age of the receivable and credit worthiness of the customer. Receivables are written off if they are determined to be uncollectible.

At May 31, 2012 the Company's receivables consist entirely of sales tax receivable which is not considered a financial instrument under IFRS.

3. Significant Accounting Policies - *Continued*

c) Financial Instruments

The Company recognizes financial assets and liabilities on the balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of 90 days or less. Cash and cash equivalents are classified as loans and receivables.

Marketable securities

Marketable Securities are classified as available-for-sale and recorded at fair value, with temporary changes in fair value recorded in other comprehensive income. Other than temporary declines in value are recognized through net income.

Accounts payable, accrued liabilities and due to related parties

Accounts payable, accrued liabilities, and due to related parties are classified as other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or where appropriate, a shorter period.

Derivative instruments

Derivative instruments, including embedded derivatives, are recorded at “fair value through profit or loss”. The Company’s metal concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. This portion of the contract is considered an embedded derivative. As a result, the values of concentrate receivables change as the underlying commodity market prices vary and are based on management’s estimates of final settlement values at the date of the statements of financial position. Accounts payable, accrued liabilities and due to related parties

Reclamation Bonds

Cash and cash equivalents subject to contractual restrictions on use are classified separately as reclamation deposits and are classified as loans and receivables.

Impairment of Financial Instruments

Management assesses the carrying value of all financial assets at each reporting period and any impairment charges are recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

d) Inventories

Consumable parts and supplies are valued at the lower of cost and net realizable value on a first-in, first-out basis. Product inventory, including work in progress is valued at the lower of average production cost or net realizable value.

3. Significant Accounting Policies - *Continued*

Production cost represents production costs for concentrates including material costs, direct labour, mine and mill site overhead and amortization and depletion. When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. If the circumstances that caused the write-down no longer exist, the amount of the write-down is reversed.

e) **Exploration and Evaluation Assets**

Pre-exploration costs or property investigation costs are expensed in the period in which they are incurred. Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

When an exploration project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction” within property, plant and equipment. Any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

f) **Equipment**

Property, plant and equipment are recorded at cost less accumulated amortization. Repairs and maintenance expenditures are charged to operations; major improvements and replacements which extend the useful life of an asset are capitalized. Mine property and development costs, plant and equipment are amortized, net of estimated residual values, over the estimated remaining mine life, on a unit of production basis. The Company provides for amortization on its equipment at an annual rate of 45% for computer equipment and 20% for other office and field equipment on the declining balance method.

g) **Impairment of Non-Financial Assets**

At the end of each reporting period, the Company’s assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an impairment loss subsequently reverses, the amount of the reversal is limited such that the revised carrying amount of the asset (or cash generating unit) does not exceed the carrying amount that would have been determined had no prior impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Significant Accounting Policies - *Continued*

h) Asset Retirement Obligations

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation and mining activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore its exploration and mine sites in the period in which the obligation is incurred. The nature of rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The restoration provision generally arises when the environmental disturbance is subject to government laws and regulations. The restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-adjusted discount rate. The present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

Where future net cash flows cannot be estimated, management estimates fair value using best estimates and comparative situations in the marketplace. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

i) Share-based Payments

The Company may grant stock options to buy common shares of the Company to directors, officers, employees and consultants.

The fair value of the estimated number of stock options awarded to employees, officers and directors that will eventually vest, is recognized as share-based compensation expense over the vesting period of the stock options with a corresponding increase to equity. The share-based payment cost is recognized in net loss or capitalized in exploration and evaluation assets. The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option-pricing model and is expensed over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in net loss or capitalized in exploration and evaluation assets such that the accumulated expense reflects the revised estimate, with a corresponding adjustment to the contributed surplus.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

j) Current and Deferred Income taxes

Income tax expense 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. Current tax expense is the expected tax payable on 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.

3. Significant Accounting Policies - *Continued*

Deferred tax is recorded using the 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. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) **Mineral Exploration Tax Credits ("METC")**

The Company recognizes METC amounts as a reduction in exploration and evaluation assets when the Company's application for tax credits is approved by the Canada Revenue Agency. If tax credits are approved on projects which have previously been written off, the Company recognizes the tax credit as a gain in the statement of loss.

l) **Equity Unit Offerings**

The Company has adopted a pro-rata basis method for the measurement of shares and warrants issued as units in financing arrangements. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of each component.

The fair value of the common shares is based on the closing price on the closing date of the transaction and the fair value of the warrants is determined on the closing date of the transaction using the Black-Scholes option pricing model.

The fair value attributed to the warrants is recorded as contributed surplus. If the warrants are exercised, the value attributable to the warrants is transferred to share capital.

m) **Revenue Recognition**

Sales are recognized when title transfers and the rights and obligations of ownership pass to the customer. The Company's metal concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. Revenues are recorded at the time of sale based on estimated prices for the expected date of final settlement. As a result, the values of concentrate receivables change as the underlying commodity market prices vary. This component of the contract is an embedded derivative, which is recorded at fair value with changes in fair value recorded in revenue.

n) **Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reported period. The Company follows the "treasury stock" method in the calculation of diluted earnings per share. This method recognizes the proceeds that could be obtained upon exercise of any options and warrants only when such exercise would have a dilutive effect on earnings per share. It assumes that any proceeds from exercise would be used to purchase common shares at the average market price prevailing during the period. In periods in which the Company incurs losses, the exercise of any outstanding options and warrants would be anti-dilutive, and therefore basic and diluted earnings (loss) per share are the same.

4. New Accounting Pronouncements

The International Accounting Standards Board has issued several new standards which have not yet been adopted by the Company. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, except for *IFRS 9* which becomes effective January 1, 2015. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements. The following is a brief summary of the new standards:

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The Standard was also amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 1 - Presentation of Items of Other Comprehensive Income ("OCI")

IAS 1 has been amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.

IAS 27 - Consolidated and Separate Financial Statements

IAS 27 has been renamed "Separate Financial Statements" and deals solely with separate financial statements, the guidance for which remains unchanged.

5. Inventories

Details are as follows:		**May 31, 2012**		August 31, 2011
Consumable parts and supplies	**$**	**161,653**	$	289,946
Product inventory		**-**		276,005
Total	**$**	**161,653**	$	565,951

During the year ended August 31, 2011, the Company expensed a write-down of $235,597 (2010 – $Nil) on its product inventory and $137,974 (2010 – $Nil) on its parts and supplies inventory in order to record inventories at net realizable value. Inventories held at May 31, 2012 and August 31, 2011 are measured at estimated net realizable value.

6. Exploration and Evaluation Assets

Details are as follows:

		Acquisition (Recovery)		Deferred Exploration & Evaluation		**Total May 31, 2012**		Total August 31, 2011		Total September 1, 2010
MAX Molybdenum Mine *(a)*	$	-	$	1,274,790	$	**1,274,790**	$	958,061	$	872,905
Foremore VMS-Gold Project *(b)*		694,005		6,006,453		**6,700,458**		6,574,490		6,503,527
SeaGold Project *(c)*		(40,250)		82,501		**42,251**		27,251		25,000
	$	653,755	$	7,363,744	$	**8,017,499**	$	7,559,802	$	7,401,432

a) **MAX Molybdenum Mine, Revelstoke Mining Division, B.C., Canada**

The Company, through its wholly owned subsidiary FortyTwo Metals Inc., holds a 100% interest in certain properties, known as the MAX Molybdenum Mine (“MAX”), located in the Revelstoke Mining Division, B.C. The MAX is subject to a 2.5% Net Smelter Return (“NSR”). The Company may purchase, at any time, up to 60% of the NSR by paying $1,000,000 for each 30% ($2,000,000 for the full 60% of the 2.5% NSR). The Company has also acquired a 100% interest in certain crown grants, mining leases and mineral claims contiguous to the core MAX mineral claims. The Company granted a 2.5% NSR on the contiguous property, which can be reduced to 1% upon payment of $2,000,000 at any time prior to commencement of commercial production. The Company must also issue 200,000 shares if it commences commercial production from any part of the contiguous property.

b) **FOREMORE VMS-Gold Project, Liard Mining Division, B.C., Canada**

The Company holds a 100% interest in certain properties, known as the Foremore Project located in the Liard Mining Division, B.C. The Foremore Project is subject to a 2.5% NSR, which can be reduced to 1% for payments totalling $2,000,000. The Company is required to make annual advance royalty payments of $50,000 ceasing in the year in which commercial production commences. Advance royalty payments paid until commercial production is reached may be applied as a reduction of future royalty payments. The Company must also issue 200,000 common shares to the vendor upon the commencement of commercial production.

c) **SEAGOLD Project, Liard Mining Division, B.C., Canada**

The Company holds a 50% interest in certain properties, known as the SeaGold Project in the Liard Mining Division, B.C. The balance of 50% is held by the Company’s joint venture partner, Romios Gold Resources Inc. (“Romios”), subject to Romios issuing 200,000 common shares to the original property vendor upon the commencement of commercial production. The SeaGold Project is subject to a 2.5% NSR, reducible to 1% for payments totalling $2,000,000. Advance annual royalty payments of $30,000 are payable by the joint venture, ceasing in the year in which commercial production commences. Advance royalty payments paid to commercial production may be applied as a reduction of future royalty payments.

Measurement uncertainty and impairment assessments

As at May 31, 2012, management of the Company determined that impairment indicators existed, and complete impairment assessments for each of its resource property interests. The current economic environment and the decline in the Company’s share price were considered as impairment indicators. These assessments included a determination of fair value for each resource property using various valuation techniques including in-situ values, commodity price changes and recent expenditures analysis. Management’s impairment evaluation did not result in the identification of an impairment of the Company’s resource property interests as of May 31, 2012. Although management believes the estimates applied in these impairment assessments are reasonable, such estimates are subject to significant uncertainties and judgments. If long-term estimates of commodity prices, in-situ values or other factors were to change significantly, impairment charges may be required in future periods and such charges could be material.

7. Property, Plant and Equipment

Details are as follows:

	Beginning Balance $	Additions/ (Disposals) $	Accumulated Amortization and Depletion $	Written-off[1] $	**May 31, 2012 Net Book Value $**
Mine property and development costs	755,024	248,982	-	(314,563)	**689,443**
Plant and equipment	1,155,540	24,225	-	(24,255)	**1,155,540**
Buildings and support facilities	313,868	28,109	(9,573)	(26,604)	**305,800**
Construction in progress	94,056	-	-	-	**94,056**
Acquisition – MAX property	81,070	-	-	-	**81,070**
	2,399,558	301,316	(9,573)	(365,392)	**2,325,909**

	Cost $	Accumulated Amortization and Depletion $	Written-off[1] $	August 31, 2011 Net Book Value $	September 1, 2010 Net Book Value $
Mine property and development costs	44,190,106	(28,342,364)	(15,092,718)	755,024	12,536,684
Plant and equipment	18,212,012	(16,442,677)	(613,795)	1,155,540	1,770,602
Buildings and support facilities	6,190,523	(5,446,403)	(430,252)	313,868	752,899
Construction in progress	1,291,253	-	(1,197,197)	94,056	1,286,767
Acquisition – MAX property	920,460	(824,249)	(15,141)	81,070	96,845
	70,804,354	(51,055,693)	(17,349,103)	2,399,558	16,443,797

Note 1. At August 31, 2011, in light of ongoing operational difficulties and lower than targeted grades at the MAX Molybdenum mine, the Company determined that the operation's future was in significant doubt and that the MAX mine was impaired. Property, plant and equipment has been written down to its estimated fair value of $2,399,588. The fair value assessment used a historical cost and market comparison approach to determine the estimated net recoverable amount of mine property, plant and equipment. A further $365,392 was written-off during the nine months ended May 31, 2012 to the assets' estimated fair value of $2,325,909 as at May 31, 2012.

Temporary Shutdown Costs

During periods in which the Company's mining and milling activities are considered non-operational, monitoring, security, and all associated mine property costs are expensed in the period in which they are occurred as *Temporary Shutdown Costs* until production resumes.

8. Shareholder's Equity

a) Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value. At May 31, 2012 and at August 31, 2011 there were 123,864,898 common shares outstanding.

On May 9, 2011 the Company completed a private placement for gross proceeds of $2,500,000. 10,000,000 units were issued at a price of $0.25, each consisting of one common share and one half of a common share purchase warrant, each whole warrant entitling the holder to acquire one additional common share through May 9, 2012 at a price of $0.30 per common share.

The prorated fair value of the 5,000,000 warrants issued was calculated to be $105,673 on the grant date and is accounted for as a reduction to proceeds from the common shares (to $2,394,327) with the offsetting entry to contributed surplus. The total fair value of the warrants was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

8. Shareholder's Equity - *Continued*

Average risk-free interest rate	1.64%
Expected dividend yield	Nil
Expected stock price volatility	42.58%
Average expected life	1 year

On November 12, 2010, the Company completed a private placement for gross proceeds of $5,100,000. 20,400,000 units were issued at a price of $0.25, each consisting of one common share and one half of a common share purchase warrant, each whole warrant entitling the holder to acquire one additional common share through November 12, 2011 at a price of $0.30 per common share. Cash finders' fees totalling $223,000 were paid, and 1,248,800 agent warrants were issued in connection with this offering, the agent warrants also exercisable until November 12, 2011, at $0.30 per common share.

The prorated fair value of the unit warrants issued was calculated to be $568,148 on the grant date and is accounted for as a reduction to proceeds from the common shares (to $4,531,852) with the offsetting entry to contributed surplus. The total fair value of the agent warrants issued was calculated to be $90,804 on the grant date and is accounted for in share issuance costs with the offsetting entry to contributed surplus. The total fair value of warrants and agent warrants was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	Warrants	*Agent Warrants*
Number of warrants	10,200,000	1,248,800
Average risk-free interest rate	1.71%	1.71%
Expected dividend yield	Nil	Nil
Expected stock price volatility	65.6%	65.6%
Average expected life	1 year	1 year

b) **Incentive Stock Options**

The Company established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. The Company's stock option plan did not receive shareholder approval at the Company's annual general meetings held in February of 2010 and 2011 as required by the policies of the TSX Venture Exchange. As a result, while all previously granted options remained valid and outstanding, the Company was prevented from granting further incentive stock options.

There were nil stock options outstanding as of May 31, 2012. During the year ended August 31, 2011, a total of 925,000 incentive stock options expired following the resignation of directors, employees and upon cancellation of certain consulting contracts. A further 3,705,000 options were voluntarily forfeited by directors, employees and consultants leaving nil options outstanding at August 31, 2011.

c) **Warrants**

During the nine months ended May 31, 2012, a total of 15,200,000 warrants and 1,248,800 agent warrants expired unexercised. At May 31, 2012 there were no warrants left outstanding. A summary of the changes during the period is as follows:

Number Outstanding August 31, 2011	Expired	**Number Outstanding May 31, 2012**	Exercise Price Per Share	Expiry Date
5,000,000	(5,000,000)	**-**	$0.30	9-May-12
10,200,000	(10,200,000)	**-**	$0.30	12-Nov-11
1,248,800	(1,248,800)	**-**	$0.30	12-Nov-11
16,448,800	(16,448,800)	**-**		

8. Shareholder's Equity - *Continued*

During the year ended August 31, 2011, a total of 15,200,000 warrants and 1,248,800 agent warrants were granted with an exercise price of $0.30. Also during that year, 300,000 warrants were exercised for proceeds of $105,000 and a total of 8,246,730 warrants and agent warrants expired unexercised. The fair value of the warrants exercised was calculated to be $25,412, which amount has been transferred to share capital from contributed surplus. At August 31, 2011 there were a total of 16,448,800 warrants outstanding at an exercise price of $0.30. A summary of the changes during the period is as follows:

Number Outstanding September 1, 2010	Expired	Granted	Exercised	**Number Outstanding August 31, 2011**	Exercise Price Per Share	Expiry Date
-	-	5,000,000	-	**5,000,000**	$0.30	9-May-12
-		10,200,000	-	**10,200,000**	$0.30	12-Nov-11
-		1,248,800	-	**1,248,800**	$0.30	12-Nov-11
4,780,000	(4,480,000)	-	(300,000)	**-**	$0.35	27-Jan-11
26,730	(26,730)	-	-	**-**	$0.35	27-Jan-11
3,740,000	(3,740,000)	-	-	**-**	$0.35	13-Feb-11
8,546,730	(8,246,730)	16,448,800	(300,000)	**16,448,800**	$0.30	

d) **Contributed Surplus**

Details are as follows:

		May 31, 2012		August 31, 2011		September 1, 2010
Balance – Beginning of Period	**$**	**13,543,304**	$	12,841,343	$	12,314,222
Fair value share-based awards granted		**-**		-		709,461
Unit proceeds allocated to warrants		**-**		673,821		-
Fair value of agent warrants issued		**-**		90,804		-
Issuance costs attributable to warrants		**-**		(39,128)		-
Issuance costs for warrants exercised		**-**		1,876		6,066
Fair value of share-based awards exercised		**-**		-		(113,538)
Fair value of agent warrants exercised		**-**		-		(2,798)
Fair value of warrants exercised		**-**		(25,412)		(72,070)
Balance – End of Period	**$**	**13,543,304**	$	13,543,304	$	12,841,343

9. Reclamation Bonds

At May 31, 2012 and August 31, 2011, reclamation bonds totalling $752,900 were held with the British Columbia Ministry of Energy, Mines and Petroleum Resources as summarized below:

		May 31, 2012		August 31, 2011		September 1, 2010
MAX Molybdenum Project	$	**730,000**	$	730,000	$	730,000
Foremore Project		**22,900**		22,900		22,900
Other Projects		**-**		-		6000
Total	$	**752,900**	$	752,900	$	758,900

10. Asset Retirement Obligations

For each property, management has estimated the costs of reclaiming any disturbances to its projects in accordance with the Company's accounting policies. Details of management's estimates of reclamation and mine closure costs are as follows:

		May 31, 2012		August 31, 2011		September 1, 2010
Balance – Beginning of Period	$	**1,136,744**	$	1,134,388	$	1,184,593
Accretion		**19,970**		36,934		53,089
Change in reclamation estimate		**(12,578)**		(34,578)		(103,293)
Balance – End of Period	$	**1,144,136**	$	1,136,744	$	1,134,388

The Company has estimated its MAX Molybdenum mine future site restoration costs to be $1,313,403 and at May 31, 2012 estimates the most likely date for the reclamation to be initiated as September 2016. The reclamation amount has been discounted by a rate of 0.75% on the first $730,000 and 7.75% on the remaining balance of $583,403. Other property retirement obligations of $21,600 have been estimated by management and are recorded undiscounted due to the uncertainty in forecasting ultimate closure dates.

It is possible the Company's estimate of its ultimate reclamation, site restoration and closure liability could materially change due to possible changes in laws and regulations or changes in cost estimates.

11. Related Party Transactions

Except as noted elsewhere in these financial statements, related party transactions are as follows:

a) During the nine months ended May 31, 2012, the Company was reimbursed for rent and office expenses totalling $28,722 (2011 - $29,212) by a company with common management.

b) During the nine months ended May 31, 2012, per-diem consulting fees of $7,500 (2011 – Nil) were paid or accrued to a director of the Company.

c) During the nine months ended May 31, 2012, Directors of the Company provided various short–term, non-interest bearing loans to the Company which at May 31, 2012 stood at $225,000 (2011 - $Nil).

d) As at May 31, 2012, current liabilities include $372,564 (2011 - $40,590) payable to related parties.

Key management includes the Chief Executive Officer, Chief Financial Officer and members of the Company's Board of Directors. The compensation paid or accrued to key management for services during the nine months ended May 31, 2012 and May 31, 2011 is as follows:

		2012		2011
Salaries and benefits	**$**	**190,193**	$	229,215
Share-based payments		**-**		-
	$	**190,193**	$	229,215

These transactions were incurred in the ordinary course of business (except as noted in 11c), are non-interest bearing, and without specific repayment terms. The transactions are measured at the exchange amount, which is the fair value consideration established and agreed to by the related parties.

12. Commitments

a) The Company has signed a lease agreement for the rental of office space. The lease was renewed in August 2008 and now ends on September 30, 2013. The future minimum lease obligations are as follows:

	Amount
2011	$ 72,744
2012	75,573
2013	78,372
	$ 226,689

13. First Time Adoption of IFRS

Under IFRS 1 – *First Time Adoption of International Financial Reporting Standards*, the Company is required to reconcile equity, comprehensive income (loss) and cash flows for prior periods. As there has been no impact on net cash flows, no reconciliation of the statements of cash flows has been provided.

a) Reconciliation of Equity

Reconciliations between Canadian GAAP and IFRS Equity as at September 1, 2010, May 31, 2011 and August 31, 2011 are provided below:

	Note	September 1, 2010 $	May 31, 2011 $	August 31, 2011 $
Equity under GAAP		24,719,530	28,894,902	8,499,604
Impairment of property, plant and equipment	(i)	(1,924,449)	(1,924,449)	(1,924,449)
Future income tax recovery - stock based compensation related to exploration assets	(ii)	(67,979)	(67,979)	(67,979)
Future income tax recovery - stock based compensation related to plant and equipment	(iii)	(70,883)	(70,883)	(70,883)
Reduced impairment of property, plant and equipment	(i)	-	-	1,924,449
Reduced impairment of property, plant and equipment	(iii)	-	-	70,883
Total IFRS adjustments to equity		(2,063,311)	(2,063,311)	(67,979)
Equity under IFRS		22,656,219	26,831,591	8,431,625

13. First Time Adoption of IFRS - *Continued*

b) Reconciliation of Comprehensive Loss

Reconciliations between Canadian GAAP and IFRS comprehensive income or loss for the three and nine month periods ended May 31, 2011 and the year ended August 31, 2011 are provided below:

	Note	Three months ended May 31, 2011 $	Nine months ended May 31, 2011 $	Year ended August 31, 2011 $
Comprehensive Loss under GAAP		(984,984)	(3,257,080)	(23,652,378)
Reduced impairment of property, plant and equipment	(i)	-	-	1,924,449
Reduced impairment of property, plant and equipment	(iii)	-	-	70,883
Total IFRS adjustments to comprehensive loss		-	-	1,995,332
Comprehensive Loss under IFRS		(984,984)	(3,257,080)	(21,657,046)

Note (i)

Under Canadian GAAP, the Company previously tested for impairment of its property, plant and equipment using an undiscounted cash flow model. Under IFRS, the impairment test requires using a risk-adjusted discounted cash flow model. As such, plant and equipment originally recorded under Canadian GAAP was impaired by $1,924,449 as of September 1, 2010 and May 31, 2011 reducing equity by the same amount. However, as the carrying value of the asset was written down to net recoverable value at August 31, 2011, the Company's loss was reduced by a corresponding amount and there was no net effect on equity as at August 31, 2011.

Note (ii)

Under Canadian GAAP, the Company previously capitalized stock-based compensation specifically related to mineral exploration or property, plant and equipment on its various properties including any related future income tax impact. Under IFRS, while the stock-based compensation may still be capitalized, the deferred income tax impact would not. As such, exploration and evaluation assets originally recorded under Canadian GAAP were reduced by $67,979 as of September 1, 2010. This had the effect of increasing the Company's deficit (reducing equity) by a total of $67,979 as at August 31, 2011.

Note (iii)

Under Canadian GAAP, the Company previously capitalized stock-based compensation specifically related to plant and equipment related to the MAX Molybdenum project including any related future income tax impact. Under IFRS, while the stock-based compensation may still be capitalized, the deferred income tax impact would not. As such, plant and equipment originally recorded under Canadian GAAP was reduced by $70,883 as of September 1, 2010 and May 21, 2011. However, as the carrying value of the asset was written down to net recoverable value at August 31, 2011, the Company's loss was reduced by a corresponding amount and there was no net effect on equity as at August 31, 2011.

14. Segmented Information

The Company's principal activity is the exploration and development of mineral properties with these properties located in Canada.