
QUIA RESOURCES INC.

Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

**For the three month periods ended
March 31, 2012 and 2011**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim condensed financial statements of Quia Resources Inc, are the responsibility of the management and Board of Directors of the Company.

The unaudited interim condensed financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) Yannis Banks
_____, CEO
Yannis Banks

(signed) Andres Tinajero
_____, CFO
Andres Tinajero

NOTICE TO READER

The accompanying unaudited interim condensed financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim financial statements for the three months ended March 31, 2012 and 2011 have not been reviewed by the Company's auditors.

Quia Resources Inc.Unaudited Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| As at, | March 31, 2012 | December 31, 2011 |
|--|----------------------------|------------------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 1,275,605 | \$ 71,118 |
| GST/HST and other receivables (Note 12) | 38,016 | 14,516 |
| Prepaid expenses (Note 13) | <u>444,362</u> | <u>272,002</u> |
| | 1,757,983 | 357,636 |
| Property, plant and equipment (Note 5) | <u>126,587</u> | <u>126,146</u> |
| | <u>\$ 1,884,570</u> | <u>\$ 483,782</u> |
| Liabilities | | |
| Current Liabilities | | |
| Trade and other payables (Note 14) | \$ 588,707 | \$ 760,298 |
| Provisions (Note 17) | 26,448 | 24,778 |
| Due to related parties (Note 16) | 112,385 | 189,043 |
| Loans and interest payable (Note 16) | <u>-</u> | <u>60,271</u> |
| | 727,540 | 1,034,390 |
| Shareholders' Equity | | |
| Share capital (Note 7 (b)) | 12,548,072 | 10,883,159 |
| Shares to be issued (Note 7 (c)) | - | 106,773 |
| Reserve for warrants (Note 9 & 11) | 4,985,814 | 3,385,814 |
| Reserve for share based payments (Note 8 & 10) | 1,457,600 | 1,442,900 |
| Reserve for foreign exchange losses | (44,613) | (21,228) |
| Accumulated deficit | <u>(17,789,843)</u> | <u>(16,348,026)</u> |
| | 1,157,030 | (550,608) |
| | <u>\$ 1,884,570</u> | <u>\$ 483,782</u> |

Nature of Operations and Going Concern (Note 1)

Segmented Information (Note 19)

Quia Resources Inc.Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

| Three month period ended, | March 31, 2012 | March 31, 2011 |
|--|---------------------------|-------------------|
| Expenses | | |
| Management and consulting | \$ 173,864 | \$ 148,988 |
| Travel and promotion | 36,564 | 183,558 |
| Office and general | 165,943 | 109,905 |
| Exploration and evaluation expenses | 990,294 | 275,764 |
| Professional fees | 14,132 | 125,833 |
| Share based payments (Note 8) | 14,700 | 1,155,000 |
| Salaries and benefits | 39,492 | 47,528 |
| Foreign exchange loss (gain) | 6,828 | (901) |
| Net loss | 1,441,817 | 2,045,675 |
| Other comprehensive loss | | |
| Net loss | 1,441,817 | 2,045,675 |
| Exchange differences on translating foreign operations | 23,385 | 28,829 |
| | 1,465,202 | 2,074,504 |
| Loss per share-basic and diluted | \$ 0.017 | \$ 0.033 |
| Weighted average number of shares outstanding | 84,249,466 | 62,442,582 |

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

Quia Resources Inc.
Unaudited Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

| | Share Capital | | Reserves | | | | Shares to be issued | Deficit | Total |
|---|-------------------|----------------------|----------------------|---------------------|------------------|-------------------|------------------------|---------------------|-------|
| | Number of shares | Amount | Share based payments | Warrants | Foreign Exchange | | | | |
| Balance at January 1, 2011 | 61,338,628 | \$ 10,661,770 | \$ 179,000 | \$ 3,397,942 | (8,837) | \$ - | \$ (8,993,912) | \$ 5,235,963 | |
| Exercise of stock options | 459,500 | 98,926 | - | - | - | - | - | 98,926 | |
| Reserve transferred on exercise of stock options | | 85,500 | (85,500) | - | - | - | - | - | |
| Exercise of warrants | 382,018 | 68,930 | - | - | - | - | - | 68,930 | |
| Reserve transferred on exercise of agent warrants | | 69,028 | - | (69,028) | - | - | - | - | |
| Warrants issued on exercise of agent warrants | | (57,000) | - | 57,000 | - | - | - | - | |
| Funds received for shares to be issued | | - | - | - | - | - | - | - | |
| Share based payments | | - | 1,155,000 | - | - | - | - | 1,155,000 | |
| Currency translation adjustment | | - | - | - | (28,829) | - | - | (28,829) | |
| Net loss for the period | | - | - | - | - | - | (2,045,675) | (2,045,675) | |
| Balance at March 31, 2011 | 62,180,146 | \$ 10,927,154 | \$ 1,248,500 | \$ 3,385,914 | (37,666) | \$ - | \$ (11,039,587) | \$ 4,484,315 | |
| Exercise of warrants | 18,018 | 5,405 | - | - | - | - | - | 5,405 | |
| Reserve transferred on exercise of agent warrants | | 3,100 | - | (3,100) | - | - | - | - | |
| Reserve transferred on exercise of options | | (49,500) | 49,500 | - | - | - | - | - | |
| Warrants issued on exercise of agent warrants | | (3,000) | - | 3,000 | - | - | - | - | |
| Funds received for shares to be issued | | - | - | - | - | 106,773 | - | 106,773 | |
| Share based payments | | - | 144,900 | - | - | - | - | 144,900 | |
| Currency translation adjustment | | - | - | - | 16,438 | - | - | 16,438 | |
| Net loss for the period | | - | - | - | - | - | (5,308,439) | (5,308,439) | |
| Balance at December 31, 2011 | 62,198,164 | \$ 10,883,159 | \$ 1,442,900 | \$ 3,385,814 | (21,228) | \$ 106,773 | \$ (16,348,026) | \$ (550,608) | |
| Private placement of units - Jan 6, 2012 - \$0.15 | 23,333,333 | 3,500,000 | - | - | - | (106,773) | - | 3,393,227 | |
| Warrants issued on private placement | | (1,404,000) | - | 1,404,000 | - | - | - | - | |
| Cost of issuance | | | | | | | | | |
| Cash commission paid | | (235,087) | - | - | - | - | - | (235,087) | |
| Fair value assigned to broker warrants | | (196,000) | - | 196,000 | - | - | - | - | |
| Share based payments | | - | 14,700 | - | - | - | - | 14,700 | |
| Currency translation adjustment | | - | - | - | (23,385) | - | - | (23,385) | |
| Net loss for the period | | - | - | - | - | - | (1,441,817) | (1,441,817) | |
| Balance at March 31, 2012 | 85,531,497 | \$ 12,548,072 | \$ 1,457,600 | \$ 4,985,814 | (44,613) | \$ - | \$ (17,789,843) | \$ 1,157,030 | |

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

Quia Resources Inc.

Unaudited Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

| | March 31, 2012 | March 31, 2011 |
|--|---------------------|---------------------|
| Operating Activities | | |
| Net loss | \$ (1,441,817) | \$ (2,045,675) |
| Adjustments to reconcile net loss to cash flow from operating activities: | | |
| Share based payments (Note 8) | 14,700 | 1,155,000 |
| Amortization | 5,480 | 872 |
| Unrealized foreign exchange loss | (23,090) | (901) |
| Net change in non-cash working capital items: | | |
| Prepaid expenses | (172,360) | (50,782) |
| Trade and other receivables | (23,500) | (11,313) |
| Trade and other payables | (193,838) | 166,423 |
| Cash flow used in operating activities | <u>(1,834,425)</u> | <u>(786,376)</u> |
| Financing Activities | | |
| Issue of common shares, net of issue costs | 3,158,140 | 167,856 |
| Repayments to related parties | (54,411) | - |
| Loan repayments | (60,271) | - |
| Cash flow provided from financing activities | <u>3,043,458</u> | <u>167,856</u> |
| Investing Activities | | |
| Purchase of property, plant and equipment | (4,546) | (29,014) |
| Cash flow used in investing activities | <u>(4,546)</u> | <u>(29,014)</u> |
| Net increase (decrease) in cash | 1,204,487 | (647,534) |
| Cash, beginning of period | <u>71,118</u> | <u>5,515,661</u> |
| Cash, end of period | <u>\$ 1,275,605</u> | <u>\$ 4,868,127</u> |

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

Quia Resources Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three month periods ended March 31, 2012 and 2011

1. NATURE OF OPERATIONS AND GOING CONCERN

Quia Resources Inc. (the "Company" or "Quia") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. The Company is engaged in the acquisition, exploration and development of the properties for the mining of precious metals in Colombia. The Company's operations in Colombia are affected by Colombia's political and economic environment. Although the environment has been relatively stable in recent years, there is the risk that this situation could deteriorate and adversely affect the Company's operations. The address of the Company's registered office is Suite 1200 – 95 Wellington Street West, Toronto, Ontario, M5J 2Z9.

The Company is in the process of exploring its exploration property for mineral resources and has not determined whether the properties contain economically recoverable reserves. The Company's principal projects are located in Bolivar and Antioquia, Colombia. The underlying value of the resource property and the recoverability of the future exploration costs are entirely dependent on the existence of one or more economic recoverable reserves, confirmation of the Company's interest in the underlying claims, and the Company's ability to obtain the necessary financing to complete the exploration, development and future profitable production.

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 the exploration property and the Company's continued existence is dependent upon the preservation of its interest in the underlying property, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative 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 of the carrying values.

The Company has no revenues and the ability of the Company to ensure continuing operations is dependent on the Company maintaining its mineral property interest, raising sufficient funds to finance exploration activities, identifying a commercial ore body, developing such mineral property interests, and upon the future profitable production or proceeds from the disposition of the mineral property interest. These financial statements have been prepared using accounting principles applicable to a going concern and do not reflect adjustments, which could be material, to the carrying values of the assets and liabilities, which may be required should the Company be unable to continue as a going concern.

As at March 31, 2012 the Company has accumulated deficit of approximately \$17,789,843 (December 31, 2010 - \$16,348,026) and has incurred losses of \$1,441,817 for the three month period ended March 31, 2012 (Year ended December 31, 2011 - \$7,354,114).

2. BASIS OF PRESENTATION

2.1 Statement of compliance

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

Quia Resources Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three month periods ended March 31, 2012 and 2011

2. BASIS OF PRESENTATION, (continued)

2.2 Basis of presentation

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2011 annual financial statements.

2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2011. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 '*Financial Instruments: Classification and Measurement*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the impact of the adoption of IFRS 9.
- IFRS 10 '*Consolidated Financial Statements*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

Quia Resources Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three month periods ended March 31, 2012 and 2011

3. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital, shares to be issued, reserve for warrants and reserve for share based payments. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the exploration and development of mineral properties. 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 team to sustain the 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.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

- i) minimizing discretionary disbursements;
- ii) reducing or eliminating exploration expenditures which are of limited strategic value;
- iii) exploring alternate sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient potential and if it has adequate financial resources to do so.

As at March 31, 2012, the Company's capital consist of share capital, shares to be issued, reserve for warrants and reserve for share based payments in the amount of \$18,991,486 (December 31, 2011 - \$15,818,646).

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 three month period ended March 31, 2012. The Company is not subject to externally imposed capital requirements.

Quia Resources Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three month periods ended March 31, 2012 and 2011

4. FINANCIAL RISK FACTORS

Fair Value

The carrying amount of cash, loans receivable, provisions, due to related parties, and trade and other payables approximate fair value due to the relatively short term maturity of these financial instruments. The carrying value of loans and interest payable approximate the fair value based on discounted cash flows. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price if one exist. As at March 31, 2012, all financial instruments measured at fair value are considered level 1.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and loans receivable. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable Canadian, United States and Colombian chartered banks which are closely monitored by management. Financial instruments included in loans receivable consist of loans to its President and Director and to the Vice President, Corporate Development. Management believes that the credit risk concentration with respect to financial instruments included in cash and loans receivable is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at March 31, 2012, the Company had a cash balance of \$1,275,605 (December 31, 2011 - \$71,118) to settle current liabilities of \$727,540 (December 31, 2011 - \$1,034,390). All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

Market Risks

a) Interest Rate Risk

The Company has cash balances and no variable interest bearing debt. The Company has fixed rates on its debt, changes in interest rates could result in fair value risk on the Company's fixed rate debt.

b) Foreign Currency Risk

The Company operates in Canada, Colombia and the United States, giving rise to market risks from changes in foreign exchange rates. The Company believes that the results of the operations and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its U.S. dollar and Colombian pesos denominated obligations.

Quia Resources Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three month periods ended March 31, 2012 and 2011

4. FINANCIAL RISK FACTORS, (continued)

c) Political Risk

The Company has mining and exploration operations in Colombia and such operations are exposed to various levels of political, economic, and other risks and uncertainties. These risks and uncertainties include, but are not limited to: terrorism; hostage taking; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes to policies and regulations impacting the mining sector; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls, and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Future political and economic conditions in Colombia may result in this governments adopting different policies with respect to foreign investment, and development and ownership of mineral resources. Any changes in such policies may result in changes in laws affecting ownership of assets, foreign investment, mining exploration and development, taxation, currency exchange rates, gold sales, environmental protection, labour relations, price controls, repatriation of income, and return of capital, which may affect both the ability of Quia to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore, develop, and operate those properties to which it has rights relating to exploration, development, and operation.

Other Risk Factors

a) Property Risk

The Company's significant mineral properties are the San Lucas Gold Corp. and the Federation properties as described in Note 9. Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon its existing property interests. If no additional major properties are acquired by the Company, any adverse development affecting the Company's property would have a materially adverse effect on the Company's financial condition and results of operations.

b) Commodity Price Risk

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious metals. These metal prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of these metals may be produced in the future, a profitable market will exist for them. As of March 31, 2012, the Company was not a producing entity. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Sensitivity Analysis

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

(i) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, loans receivable, accounts payable, due to related parties, loans and interest payable and provisions that are denominated in Colombian pesos. As at March 31, 2012, had the Canadian dollar weakened/strengthened by 10% against the Colombian peso with all other variables held constant, the Company's comprehensive income for the three month period ended March 31, 2012 would have been approximately \$26,000 higher/lower respectively as a result of foreign exchange losses/gains on translation of Canadian dollar denominated financial instruments.

Quia Resources Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three month periods ended March 31, 2012 and 2011

5. PROPERTY, PLANT AND EQUIPMENT

| | Furniture & Fixtures | Computer Equipment & Software | Total |
|------------------------------------|-------------------------------------|--|----------------|
| Cost | | | |
| As at January 1, 2011 | 7,224 | 17,102 | 24,326 |
| Additions | 1,060 | 119,889 | 120,949 |
| As at December 31, 2011 | 8,284 | 136,991 | 145,275 |
| Additions | 4,546 | - | 4,546 |
| Effects of foreign exchange | 569 | 3,636 | 4,205 |
| As at March 31, 2012 | 13,399 | 140,627 | 154,026 |
| Accumulated Amortization | | | |
| As of January 1, 2011 | 1,322 | 549 | 1,871 |
| Additions | 757 | 16,501 | 17,258 |
| As at December 31, 2011 | 2,079 | 17,050 | 19,129 |
| Additions | 1,230 | 4,250 | 5,480 |
| Effects of foreign exchange | 203 | 2,627 | 2,830 |
| As at March 31, 2012 | 3,512 | 23,927 | 27,439 |
| Net Book Value | | | |
| As at January 1, 2011 | 5,902 | 16,553 | 22,455 |
| As at December 31, 2011 | 6,205 | 119,941 | 126,146 |
| As at March 31, 2012 | 9,887 | 116,700 | 126,587 |

6. INTEREST IN MINERAL PROPERTIES

On October 26, 2007, the Company acquired 17 mineral properties in Bolivar, Colombia for \$500,000. In exchange for this non-monetary transaction, the Company issued 10,000,000 common shares at a market price of \$0.05 per share, to the vendor of the claims.

On September 13, 2008, the Company entered into an agreement with the Mining Federation from the Bolivar Department for the exploitation and exploration of the mining sites mentioned in the agreement. This agreement has been terminated by the parties.

On December 8, 2008, the Company issued 848,248 shares at a market price of \$0.20 per share to some of the shareholders for the acquisition of mineral properties for \$169,650.

Quia Resources Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three month periods ended March 31, 2012 and 2011

7. SHARE CAPITAL

(a) **Authorized**

Unlimited number of common shares without par value

(b) **Issued**

| | Number of Shares | Stated Value |
|---|---------------------|-------------------|
| COMMON SHARES | | |
| Balance, January 1, 2011 | 61,338,628 | 10,661,770 |
| Exercise of stock options | 459,500 | 98,926 |
| Reserve transferred on exercise of stock options | - | 36,000 |
| Exercise of warrants | 400,036 | 74,335 |
| Reserve transferred on exercise of agent warrants | - | 72,128 |
| Warrants issued on exercise of agent warrants | - | (60,000) |
| Balance, December 31, 2011 | 62,198,164 | 10,883,159 |
| Private placement of units - January 6, 2012 - \$0.15 (i) | 23,333,334 | 3,500,000 |
| Warrants issued on private placement | - | (1,404,000) |
| Cost of issuance | | |
| Cash commissions paid | - | (235,087) |
| Fair market value assigned to broker warrants | - | (196,000) |
| Balance, March 31, 2012 | 85,531,498 | 12,548,072 |

Under the requirement of the TSX Venture exchange, 2,444,944 common shares held by directors and officers are held in escrow. 10% of these shares will be released from escrow on the date of the exchange bulletin and the remainder in allotments of 366,741 in 6, 12, 18, 24, 30 and 36 months following the date of the exchange bulletin. As at March 31, 2012, 977,976 (December 31, 2011 – 611,235) shares have been released.

- (i) On January 6, 2012, the Company issued 23,333,334 units at \$0.15 pursuant to a private placement for gross proceeds of \$3,500,000. Each unit consisted of one common share and ½ common share purchase warrant. Each common share purchase warrant is exercisable for one common share at a price of \$0.30 per share, expiring on January 6, 2014.

The fair value of the 11,666,671 share purchase warrants was estimated at \$1,404,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 0.95%; volatility 100% and an expected life of 2 years.

The Company paid a cash finder's fee equal to 7% of the gross proceeds raised from the Canadian shareholders by the brokers and 3% on certain proceeds raised by the corporation. In addition, the Company issued 1,218,917 compensation warrants ("agent warrants") equal to 7% of the number of the securities issued as brought in by the relevant finder and 3% of certain units brought in by the corporation. Each agent warrant is exercisable for one share at a price of \$0.15 per share expiring after 24 months.

The fair value of the 1,218,917 agent warrants was estimated at \$196,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 0.95%; volatility 100% and an expected life of 2 years.

Quia Resources Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three month periods ended March 31, 2012 and 2011

7. SHARE CAPITAL, (continued)**(c) Shares to be issued**

As at March 31, 2012, consideration of \$nil (December 31, 2011 - \$106,773) had been received pertaining to share subscriptions settled after the year end.

8. SHARE BASED PAYMENTS

Quia established a stock option to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. Options vest immediately and expire on the fifth anniversary from the date of issue unless otherwise specified.

A summary of stock options issued and outstanding is as follows:

| | December 31, 2011 | | December 31, 2011 | |
|----------------------------------|--|------------------------------|--|------------------------------|
| | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price | Number of Options |
| Outstanding at beginning of year | \$ 0.54 | 4,309,500 | \$ 0.29 | 1,559,000 |
| Transaction during the year: | | | | |
| Granted | - | - | 0.61 | 3,250,000 |
| Exercised | - | - | 0.22 | 459,500 |
| Expired | - | - | 0.30 | (40,000) |
| Outstanding at end of year | 0.54 | 4,309,500 | 0.54 | 4,309,500 |
| Exercisable at end of year | \$ 0.53 | 4,084,500 | \$ 0.53 | 4,084,500 |

The following table provides additional information about outstanding stock options at March 31, 2012:

| | No. of Options Outstanding | Weighted Average Remaining Life (Years) | Weighted Average Exercise Price | No. of Options Currently Exercisable | Weighted Average Exercise Price – Exercisable Options |
|-------------------------|---|--|--|---|--|
| \$ 0.15 – 0.30 | 459,500 | 3.02 | \$ 0.22 | 459,500 | \$ 0.22 |
| \$ 0.40 | 600,000 | 3.64 | \$ 0.40 | 600,000 | \$ 0.40 |
| \$ 0.60 – 0.65 | 3,250,000 | 3.89 | \$ 0.61 | 3,025,000 | \$ 0.60 |
| \$ 0.15 - \$0.65 | 4,309,500 | 3.77 | \$ 0.54 | 4,084,500 | \$ 0.53 |

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8. SHARE BASED PAYMENTS, (continued)*Share based payments*

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share based payments for the stock options issued during the year ended December 31, 2011:

| Grant date | January 21, 2011 | February 18, 2011 | April 1, 2011 | Total |
|-------------------------------|---------------------|----------------------|---------------------------------------|--------------|
| No. of options | 400,000 | 2,350,000 | 500,000 | 3,250,000 |
| Exercise price | \$ 0.60 | \$ 0.60 | \$ 0.65 | |
| Expected life in years | 5 | 5 | 5 | |
| Volatility | 100% | 100% | 100% | |
| Risk-free interest rate | 2.60 | 2.75 | 2.78 | |
| Dividend yield | - | - | - | |
| Vesting | 100% | 100% | 40% | |
| | | | immediately, 15% every 6 months | |
| Fair value of options granted | \$ 112,000 | \$ 1,043,000 | \$ 189,000 | \$ 1,344,000 |
| Share based payments | \$ 112,000 | \$ 1,043,000 | \$ 144,900 | \$ 1,299,900 |

During the three month period ended March 31, 2012, \$14,700 of share based payments expense was recognized in relation to the vesting of the options issued on April 1, 2011.

9. WARRANTS

| Month of Expiry | No. of Warrants | Exercise Price |
|---|-----------------|----------------|
| | | (\$) |
| November 2, 2012 | 3,750,000 | 0.70 |
| November 2, 2012 – agent warrants | 400,000 | 0.40 |
| December 22, 2012 | 15,546,575 | 0.50 |
| December 22, 2012 | 880,000 | 0.25 |
| December 22, 2012 – warrant for broker unit (1) | 847,423 | 0.30 |
| December 22, 2012 – agent warrants | 95,536 | 0.50 |
| December 22, 2012 | 3,500,000 | 0.80 |
| December 22, 2012 – agent warrants | 560,000 | 0.50 |
| January 6, 2014 | 11,666,671 | 0.80 |
| January 6, 2014 – agent warrants (2) | 1,218,917 | 0.50 |
| | 38,465,122 | |

(1) Upon exercise, 847,423 broker warrants exercisable at \$0.50 will be issued and outstanding.

(2) Upon exercise, 609,459 broker warrants exercisable at \$0.30 will be issued and outstanding.

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9. WARRANTS, (continued)

The following table summarizes the assumptions used with the Black-Scholes valuation model during the three month period ended March 31, 2012:

| Grant date | January 6, 2012 | January 6, 2012 | Totals |
|-------------------------|--------------------|--------------------|------------|
| No. of warrants | 11,666,671 | 1,218,917 | 12,885,588 |
| Exercise price | \$ 0.30 | \$ 0.15 | |
| Expected life in years | 2 | 2 | |
| Volatility | 100% | 100% | |
| Risk-free interest rate | 0.95% | 0.95% | |
| Dividend yield | - | - | |

The following table summarizes the assumptions used with the Black-Scholes valuation model during the year ended December 31, 2011:

| Grant date | February 22, 2011 | March 16, 2011 | May 12, 2011 | August 3, 2011 | Totals |
|-------------------------|----------------------|-------------------|-----------------|-------------------|---------|
| No. of warrants | 101,500 | 77,518 | 10,010 | 8,008 | 197,036 |
| Exercise price | \$ 0.25 | \$ 0.50 | \$ 0.50 | \$ 0.50 | |
| Expected life in years | 1.8 | 1.7 | 1.6 | 1.4 | |
| Volatility | 100% | 100% | 100% | 100% | |
| Risk-free interest rate | 1.68% | 1.48% | 1.68% | 1.68% | |
| Dividend yield | - | - | - | - | |

10. RESERVE FOR SHARE BASED PAYMENTS

| <i>Period/year ended</i> | March 31, 2012 | December 31, 2011 |
|--|-------------------|----------------------|
| Balance at beginning of period/year | \$ 1,442,900 | \$ 179,000 |
| Reserve transferred on exercise of options | - | (36,000) |
| Share based payments | 14,700 | 1,299,900 |
| Balance at end of period/year | \$ 1,457,600 | \$ 1,442,900 |

11. RESERVE FOR WARRANTS

| <i>Period/year ended</i> | March 31, 2012 | December 31, 2011 |
|---|-------------------|----------------------|
| Balance at beginning of period/year | \$ 3,385,814 | \$ 3,397,942 |
| Reserve transferred on exercise of warrants | - | (72,128) |
| Warrants issued | 1,600,000 | 60,000 |
| Balance at end of period/year | \$ 4,985,814 | \$ 3,385,814 |

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12. GST/HST AND OTHER RECEIVABLES

The Company's HST and other receivables arise from three main sources: trade receivables due from customers for services and sales and harmonized services tax ("HST") receivable and value added taxes ("VAT") due from government taxation authorities. These are broken down as follows:

| | <u>March 31, 2012</u> | <u>December 31, 2011</u> |
|--|-----------------------|--------------------------|
| | \$ | \$ |
| GST/HST and VAT receivable | 38,016 | 14,516 |
| Total trade and other receivables | \$ 38,016 | \$ 14,516 |

Below is an aged analysis of the Company's trade and other receivables:

| | <u>As at,</u> | |
|--|-----------------------|--------------------------|
| | <u>March 31, 2012</u> | <u>December 31, 2011</u> |
| | \$ | \$ |
| Less than 1 month | 23,500 | 14,516 |
| Over 3 months | 14,516 | - |
| Total trade and other receivables | \$ 38,016 | \$ 14,516 |

At March 31, 2012, trade and other receivables outstanding are HST and VAT receivable. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the HST and VAT receivable has been further discussed in Note 7.

The Company holds no collateral for any receivable amounts outstanding as at March 31, 2012.

13. PREPAID EXPENSES

| | <u>As at,</u> | |
|-------------------------------|-----------------------|--------------------------|
| | <u>March 31, 2012</u> | <u>December 31, 2011</u> |
| | \$ | \$ |
| Advances to suppliers | 40,134 | 15,275 |
| Deposit on drilling contract | 331,242 | 197,562 |
| Insurance | 8,275 | 12,321 |
| Other | 64,711 | 46,844 |
| Total prepaid expenses | \$ 444,362 | \$ 272,002 |

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14. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities, amounts payable for financing activities and payroll liabilities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

| | March 31, 2012 | December 31, 2011 |
|---------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Less than 1 month | 393,210 | 507,819 |
| 1 to 3 months | 122,724 | 158,495 |
| Over 3 months | 72,773 | 93,984 |
| Total Trade and Other Payables | \$ 588,707 | \$ 760,298 |

15. SEGMENTED INFORMATION

Operating Segments

At March 31, 2012 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Colombia. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 '*Operating Segments*'. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent operating segment amounts.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

Geographic Segments

Quia is in the business of mineral exploration in Colombia. As such, management has organized the Company's reportable segments by geographic area. The Colombia segment is responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities. Information concerning Quia's reportable segments is as follows:

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15. SEGMENTED INFORMATION, (continued)

| | March 31, 2012 | December 31, 2011 |
|-----------------------------------|-----------------------|-------------------|
| | \$ | \$ |
| Consolidated net loss | | |
| Canada | 381,064 | 2,649,349 |
| Colombia | 1,060,753 | 4,704,765 |
| | 1,441,817 | 7,354,114 |
| Significant non-cash items | | |
| Share based payments | | |
| Canada | 14,700 | 1,229,900 |
| | 14,700 | 1,229,900 |
| <i>As at,</i> | March 31, 2012 | December 31, 2011 |
| Total assets | | |
| Canada | 1,357,655 | 106,882 |
| Colombia | 526,915 | 376,900 |
| | 1,884,570 | 483,782 |

16. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Related party transactions and key management compensation are as follows:

During the three months ended March 31, 2012, \$nil (2011 - \$3,295) was paid as a salary to the former Vice President and Director.

During the three months ended March 31, 2012, \$10,135 (2011 - \$nil) was paid for consulting fees to Foundation Market Inc. ("FMI"), a company in which the Secretary and Director and CEO and Director of the Company are a directors and have an indirect interest. In addition, \$5,000 and \$16,200 (2011 - \$nil) was paid for consulting fees and rent respectively to Foundation Opportunities Inc. ("FOI"), a company in which the Secretary and Director and CEO and Director of the Company are directors and have an indirect interest. At March 31, 2012 included due to related parties is \$nil (December 31, 2011 - \$1,944)

During the three months ended March 31, 2012, \$12,000 (2011 - \$12,000) was paid for consulting fees to Cavalry Corporate Solutions Inc. ("Cavalry"), a company in which the Secretary and Director of the Company has an indirect interest and in which the CEO and Director is a director and has an indirect interest

During the three months ended March 31, 2012, \$26,422 (2011 - \$34,340) was paid for legal fees to a company in which the Secretary and Director of the Company is a partner. Included in due to related parties is \$7,948 (December 31, 2010 - \$34,063) payable to this company.

During the three months ended March 31, 2012, \$36,000 (2011 - \$24,000) was paid to the VP of exploration. As at March 31, 2012, \$67,910 is included in due to related parties (December 31, 2011, \$48,747).

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16. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION, (continued)

During the three months ended March 31, 2012, \$2,000 (2011 - \$nil) was paid to The Vice-President, Business Development and a Director for exploration related costs. As at March 31, 2012, due to related parties included \$16,098 (December 31, 2011 - \$58,864).

During the three months ended March 31, 2012, \$18,750 (2011 - \$nil) was paid for services to the chief executive officer. As at March 31, 2012, \$14,779 is included in due to related parties (December 31, 2011, \$14,125).

During the three months ended March 31, 2012, \$nil (2011 - \$26,780) was paid for services to the former chief executive officer and current director.

During the three months ended March 31, 2012, \$15,000 (2011 - \$15,000) was paid for services to the chief financial officer. As at March 31, 2012 included in due to related parties is \$5,650 (December 31, 2011 - \$11,300) payable to the chief financial officer.

During 2011, the Company received non-secured loans of \$30,000 from Foundation Opportunities Inc., a company in which the Secretary and Director and CEO and Director of the Company are directors and have an indirect interest, at the rate of 10% per annum payable the earlier of March 1, 2012 or the closing of the financing. As at March 31, 2012 \$nil and \$nil (December 31, 2011 - \$30,000 and \$131) are included as loans and interest payable respectively.

During 2011, the Company received non-secured loans of \$30,000 from a director at the rate of 10% per annum payable the earlier of March 1, 2012 or the closing of financing. As at March 31, 2012 \$nil and \$nil (December 31, 2011 - \$30,000 and \$140) are included as loan and interest payable respectively.

All transactions with related parties were in the normal course of operations.

17. PROVISIONS

| | <u>March 31, 2012</u> | <u>December 31, 2011</u> |
|-----------------------------------|-----------------------|--------------------------|
| | \$ | \$ |
| Balance beginning of period/year | 24,778 | 24,346 |
| Effect of foreign exchange | 1,670 | 432 |
| Balance end of period/year | \$ 26,448 | \$ 24,778 |

As at March 31, 2012, management decided to accrue an estimated amount of \$26,448 (December 31, 2011 - \$24,778) related to a discrepancy between reported values by San Lucas Gold Corp. and the reported value by the Banco de la República. Colombian companies are required to disclose funds received from foreign affiliates.