

**FOX RESOURCES LTD.**  
*(An Exploration Stage Company)*

**CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

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# **FOX RESOURCES LTD.**

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## **Contents**

	<u>Page</u>
Notice of No Auditor Review of Interim Financial Statements	3
Condensed Interim Statements of Financial Position	4
Condensed Interim Statements of Comprehensive Loss	5
Condensed Interim Statements of Changes in Equity	6
Condensed Interim Statements of Cash Flows	7
Notes to the Financial Statements	8 – 24

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

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

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

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

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Presented in Canadian dollars)

(UNAUDITED)

	March 31, 2011	December 31, 2010 (Note 9)	January 1, 2010 (Note 9)
<b>Assets</b>			
<b>Current assets</b>			
Receivables	\$ 2,201	\$ 1,324	\$ 3,323
Cash and cash equivalents	223,299	226,188	316,012
<b>Total assets</b>	<b>\$ 225,500</b>	<b>\$ 227,512</b>	<b>\$ 319,335</b>
<b>Equity</b>			
Share capital (Note 3)	\$ 679,495	\$ 660,395	\$ 660,395
Reserves	51,871	55,971	55,971
Deficit	(518,616)	(500,780)	(416,756)
	212,750	215,586	299,610
<b>Liabilities</b>			
<b>Current liabilities</b>			
Due to related parties (Note 4)	3,360	3,360	3,150
Accounts payable and accrued liabilities	9,390	8,566	16,575
	12,750	11,926	19,725
<b>Total equity and liabilities</b>	<b>\$ 225,500</b>	<b>\$ 227,512</b>	<b>\$ 319,335</b>

Subsequent event (Note 8)

These condensed financial statements are authorized for issue by the Board of Directors on May 27, 2011.

They are signed on the Company's behalf by:

/s/James H. Elliott  
Director

/s/Mark T. Brown  
Director

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

For the three months ended March 31

(Presented in Canadian dollars)

(UNAUDITED)

	2011	2010
		(Note 9)
<b>Expenses</b>		
Accounting and legal	\$ 8,130	\$ 16,500
Office and administrative fees	61	25
Property investigation	-	7,305
Rent	1,500	1,500
Transfer agent, listing and filing fees	8,461	9,925
	<u>(18,152)</u>	<u>(35,255)</u>
<b>Other items</b>		
Foreign exchange (loss)	(369)	-
Interest income	685	380
	<u>316</u>	<u>380</u>
<b>Loss before income tax</b>	<u>(17,836)</u>	<u>(34,875)</u>
Income tax	-	-
	<u>-</u>	<u>-</u>
<b>Net loss and comprehensive loss for the period</b>	<u>\$ (17,836)</u>	<u>\$ (34,875)</u>
<b>Basic and diluted loss per share (Note 5)</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

**FOX RESOURCES LTD.***(An Exploration Stage Company)***CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Presented in Canadian dollars)

(UNAUDITED)

	Share capital		Reserves		Total Equity
	Number of shares	Amount	Equity settled employee benefits	Deficit	
<b>Balance as at December 31, 2009 (Note 9)</b>	3,156,667	\$ 660,395	\$ 55,971	\$ (416,756)	\$ 299,610
Net loss and comprehensive loss	-	-	-	(34,875)	(34,875)
<b>Balance as at March 31, 2010 (Note 9)</b>	3,156,667	660,395	55,971	(451,631)	264,735
Net loss and comprehensive loss	-	-	-	(49,149)	(49,149)
<b>Balance as at December 31, 2010 (Note 9)</b>	3,156,667	660,395	55,971	(500,780)	215,586
Share issuance:					
Exercise of options	50,000	19,100	(4,100)	-	15,000
Net loss and comprehensive loss	-	-	-	(17,836)	(17,836)
<b>Balance as at March 31, 2011</b>	3,206,667	\$ 679,495	\$ 51,871	\$ (518,616)	\$ 212,750

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## CONDENSED INTERIM STATEMENTS OF CASH FLOWS

For the three months ended March 31

(Presented in Canadian dollars)

(UNAUDITED)

	2011	2010
		(Note 9)
<b>Cash flows from operating activities</b>		
Net loss and comprehensive loss for the period	\$ (17,836)	\$ (34,875)
Changes in non-cash working capital items:		
Receivables	(877)	2,377
Accounts payables and accrued liabilities	824	14,730
Net cash used in operating activities	(17,889)	(17,768)
<b>Cash flows from financing activities</b>		
Proceeds from exercise of options	15,000	-
Net cash provided by financing activities	15,000	-
<b>(Decrease) in cash and cash equivalents</b>	(2,889)	(17,768)
<b>Cash and cash equivalents, beginning of the period</b>	226,188	316,012
<b>Cash and cash equivalents, end of the period</b>	\$ 223,299	\$ 298,244
<b>Interest paid</b>	\$ -	\$ -
<b>Interest received</b>	\$ 685	\$ 380
<b>Taxes paid</b>	\$ -	\$ -
<b>Taxes received</b>	\$ -	\$ -

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Fox Resources Ltd. (the “Company”) was incorporated under the *Canada Business Corporations Act* on February 3, 2006 and, effective July 6, 2009, changed its continuance out of the federal jurisdiction into the British Columbia jurisdiction under the *Business Corporations Act* (British Columbia). The address of the Company’s registered office is Suite 2610, 1066 West Hastings Street, Vancouver, BC, Canada, V6E 3X1. The Company was classified as a capital pool company (“CPC”) as defined in the TSX Venture Exchange (the “TSX-V” or “Exchange”) Listings Policy 2.4. The Company completed an initial public offering (“IPO”) and commenced trading on the TSX-V on May 5, 2006. On August 18, 2008, the Company completed its qualifying transaction, changed to its current name and resumed trading under the symbol “FAX.V” on August 19, 2008.

The Company is primarily engaged in the acquisition and exploration of mineral property interests and is in the process of identifying mineral property interests for acquisition.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. As at March 31, 2011, the Company has an accumulated deficit of \$563,616. The Company has no source of operating revenues and its capacity to operate as a going concern in the near-term will likely depend on its ability to continue raising equity financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position. The condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board (“AcSB”) confirmed in February 2008 that IFRS will replace Canadian generally accepted accounting principles (“GAAP”) for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

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

These are the Company’s first IFRS condensed interim financial statements for part of the period covered by the first IFRS annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011. Previously, the Company prepared its annual and interim financial statements in accordance with GAAP.



# FOX RESOURCES LTD.

(An Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

#### (b) Basis of preparation

These condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for early adoption on December 31, 2011, the Company's first annual reporting date.

The standards that will be effective or available for voluntary early adoptions in the annual financial statements for the year ending December 31, 2011 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies for the annual period that are relevant to these condensed interim financial statements will be determined only when the first IFRS financial statements are prepared for the year ending December 31, 2011.

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 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 GAAP to IFRS is explained in Note 9.

#### (c) Foreign currencies

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

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### (d) Cash and cash equivalents

Cash and cash equivalents consists of cash and term investments with original maturities of three months or less, deposited in a high-quality financial institution, together with accrued interest thereon. Term investments are readily convertible to known amounts of cash.

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

#### (e) Exploration and evaluation

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

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

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

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

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

#### (f) Financial instruments

##### Financial assets

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

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

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

# FOX RESOURCES LTD.

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

#### (f) Financial instruments (cont'd...)

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

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

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

#### Financial liabilities

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

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

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

#### (g) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

#### *Interest income*

Revenue is recognized as interest accrues (using the effective interest rate, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

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### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

#### (h) Share-based payment transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

#### (i) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

#### (j) Income taxes

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

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

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

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

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

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

#### (j) Income taxes (cont'd...)

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

#### (k) Assets retirement obligations (“ARO”)

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount will be depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of the timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs.

#### (l) Significant accounting judgments and estimates

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

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

##### Critical judgments

The Company does not have any critical judgments as of March 31, 2011.

##### Estimates

- the recoverability of receivables which are included in the condensed interim statement of financial position;
- the inputs used in accounting for share purchase option expense in the condensed interim statement of comprehensive loss; and
- the provision for income taxes which is included in the condensed interim statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the condensed interim statement of financial position at March 31, 2011.

# **FOX RESOURCES LTD.**

*(An Exploration Stage Company)*

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

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### **2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **(m) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IAS 24, Related Party Disclosure: effective for accounting periods commencing on or after January 1, 2011;
- IFRS 9, Financial Instruments: effective for accounting periods commencing on or after January 1, 2013; and
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments: effective for accounting periods commencing on or after July 1, 2010.

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

### 3. CAPITAL AND RESERVES

(a) Authorized

At March 31, 2010, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Escrow shares

The initial 956,667 seed shares issued by the Company are held in escrow in accordance with the escrow agreement dated April 28, 2006.

Under the escrow agreement, 10%, or 95,667, of the escrowed common shares were released from escrow on the issuance of the Final Exchange Bulletin. As at March 31, 2011, the Company had 143,500 common shares held in escrow which will be released on August 25, 2011.

(c) Share Purchase Option Compensation Plan

The Company has established a stock option plan that is administered by the Board of Directors of the Company with stock options granted to directors, management, employees, management company employees, agents and consultants. The number of common shares reserved for issuance of stock options is limited to a maximum of 10% of the total number of issued and outstanding shares.

During the period ended March 31, 2011, 50,000 options at price \$0.30 were exercised.

Stock option transaction and the number of stock options are summarized as follows:

Expiry date	Exercise price	December 31, 2010	Granted	Exercised	Expired/ cancelled	March 31, 2011
April 28, 2011	\$ 0.30	50,000	-	(50,000)	-	-
May 21, 2013	\$ 0.30	123,333	-	-	-	123,333
August 18, 2013	\$ 0.30	50,000	-	-	-	50,000
Options outstanding		223,333	-	(50,000)	-	173,333
Option exercisable		223,333	-	(50,000)	-	173,333
Weighted average exercise price		\$0.30	-	\$0.30	-	\$0.30

# FOX RESOURCES LTD.

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

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### 4. RELATED PARTY TRANSACTIONS AND BALANCES

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the three months ended March 31, 2011

	Short-term employee benefits	Post - employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Mark T. Brown, Chief Executive Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Winnie Wong, Chief Financial Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil

For the three months ended March 31, 2010

	Short-term employee benefits	Post - employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Mark T. Brown, Chief Executive Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Winnie Wong, Chief Financial Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil

#### Related party assets / liabilities

	Services	Three months ended March 31		As at March 31, 2011	As at December 31, 2010
		2011	2010		
Amounts due to:					
Pacific Opportunity Capital Ltd. <sup>(a)</sup>	Rent and accounting services	\$9,000	\$9,000	\$3,360	\$3,360
TOTAL:				\$3,360	\$3,360
Amounts due from:					
Nil					

(a) Pacific Opportunity Capital Ltd., a company controlled by the Chief Executive Officer of the Company.

### 5. LOSS PER SHARE

#### Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three months ended March 31, 2011 was based on the loss attributable to common shareholders of \$17,836 (2010 – \$34,875) and a weighted average number of common shares outstanding of 3,204,445 (2010 – 3,156,667).



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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

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### 5. LOSS PER SHARE (cont'd...)

Diluted loss per share did not include the effect of 173,333 (2010 – 223,333) share purchase options as they are anti-dilutive.

### 6. FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents and accounts payable are determined based on Level 1 inputs, and approximate their carrying values due to the short-term maturity of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and interest risk.

#### (a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial asset exposed to credit risk is cash and cash equivalents, which is minimized to the extent that it is placed with a major Canadian financial institution.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

As at March 31, 2011, the Company had a cash and cash equivalent balance of \$223,299 (December 31, 2010 - \$226,188) to settle down current liabilities of \$12,750 (December 31, 2010 - \$11,926).

Accounts payable and accrued liabilities are due within the current operating period.

#### (c) Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents earn interest from its operating bank accounts, bearing interest of 1.25% per annum. Due to the nature of this financial instrument, fluctuations in market rates do not have a significant impact on net loss as of March 31, 2011. Future cash flows from interest income on cash will be affected by interest rate fluctuations. A 1% change in the interest rate, with other variables unchanged, would affect net loss by an annualized amount of interest equal to approximately \$2,233.

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

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### 6. FINANCIAL INSTRUMENTS (cont'd...)

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 223,299	\$ -	\$ -	\$ 223,299
	\$ 223,299	\$ -	\$ -	\$ 223,299

### 7. MANAGEMENT OF CAPITAL

The Company considers its capital to be its shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from continuing operations.

There were no changes to the Company's approach to capital management during the year and the Company is not subject to any externally imposed capital requirements.

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

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### 8. SUBSEQUENT EVENT

On April 26, 2011, the Company announced that it closed the non-brokered private placement of 3,120,000 units (the "Unit") at \$0.30 per Unit for gross proceeds of \$936,000. Each Unit comprised of one common share and one-half of one non-transferable warrant. Each whole warrant entitled the holder to purchase one additional common share for a period of 18 months at a price of \$0.45 per common share. In addition, Finder's Warrants, entitling the holder to purchase up to 198,000 Units for a period of 18 months from issuance at \$0.30 per Unit and cash finder's fees of \$41,580 were paid. All securities issued are subject to a four-month hold period expiring on August 26, 2011. Insider participation amounts to 220,000 Units.

### 9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first condensed interim financial statements for the period covered by its first annual financial statements prepared in accordance with IFRS.

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1). The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the opening IFRS statement of financial position, 2010 comparatives and current period financial statements have been prepared using the same policies. The previously presented 2010 Canadian GAAP financial information has been reconciled to the IFRS information as part of this transition note in accordance with the requirements of IFRS 1. Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 election or exception. These are discussed below.

#### **Elections upon first-time adoption of IFRS**

The IFRS 1 exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

(a) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 (2008) *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 (2008) to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

(b) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date.

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

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### 9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)

#### Elections upon first-time adoption of IFRS (cont'd...)

##### (c) IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 *Business Combinations* retrospectively, IAS 27 *Consolidated and Separate Financial Statements* must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

#### Mandatory exceptions under IFRS

The IFRS 1 mandatory exception applied by the Company in the conversion from Canadian GAAP to IFRS is as follows:

##### (d) Estimates

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

#### Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRSs as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis below and the tables following represent the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

##### (e) Reclassification within Equity section

Under Canadian GAAP, a balance within contributed surplus existed to record the issuance of equity settled employee benefits. Upon adoption of IFRS, the balance in this account has been reclassified to "Reserves – Equity settled employee benefits".

##### (f) Flow-through shares

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146, *Flow-Through Shares*. At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a future income tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP the Company recorded any deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of operations. During fiscal 2009, the Company renounced qualifying expenditures and as a result recorded a charge to equity and corresponding income tax recovery in income in the amount of \$45,000.

# **FOX RESOURCES LTD.**

*(An Exploration Stage Company)*

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

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### **9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)**

#### **Reconciliations of Canadian GAAP to IFRS (cont'd...)**

(f) Flow-through shares (cont'd...)

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and recognized in income at the time the qualifying expenditures are made.

The Company's 2008 flow-through shares were issued at a \$0.10 premium per flow-through share. Under Canadian GAAP, this \$0.10 premium was recognized as the future income tax recovery in fiscal 2009. Under IFRS, this \$0.10 premium would have been recognized as income in fiscal 2009. Consequently, the reclassification between future income tax recovery and income during fiscal 2009 would have no impact to the Statement of Financial Position or to the balance of the Deficit or related reserves as at the Transition Date and December 31, 2010.

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(UNAUDITED)

### 9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)

#### Reconciliation of Assets, Liabilities and Equity

	Notes	<u>As at January 1, 2010</u>			<u>As at March 31, 2010</u>			<u>As at December 31, 2010</u>		
		Canandian GAAP	Effect of transition of IFRS	IFRS	Canandian GAAP	Effect of transition of IFRS	IFRS	Canandian GAAP	Effect of transition of IFRS	IFRS
<b>Assets</b>										
<b>Current assets</b>										
Receivables		\$ 3,323	\$ -	\$ 3,323	\$ 946	\$ -	\$ 946	\$ 1,324	\$ -	\$ 1,324
Cash and cash equivalents		316,012	-	316,012	298,244	-	298,244	226,188	-	226,188
<b>Total assets</b>		<b>\$ 319,335</b>	<b>\$ -</b>	<b>\$ 319,335</b>	<b>\$ 299,190</b>	<b>\$ -</b>	<b>\$ 299,190</b>	<b>\$ 227,512</b>	<b>\$ -</b>	<b>\$ 227,512</b>
<b>Equity</b>										
Share capital	9e	\$ 660,395	\$ -	\$ 660,395	\$ 660,395	\$ -	\$ 660,395	\$ 660,395	\$ -	\$ 660,395
Reserves										
Equity settled employee benefits	9d		55,971	55,971		55,971	55,971		55,971	55,971
Contributed surplus	9d	55,971	(55,971)	-	55,971	(55,971)	-	55,971	(55,971)	-
Deficit	9e	(416,756)	-	(416,756)	(451,631)	-	(451,631)	(500,780)	-	(500,780)
		<u>299,610</u>	<u>-</u>	<u>299,610</u>	<u>264,735</u>	<u>-</u>	<u>264,735</u>	<u>215,586</u>	<u>-</u>	<u>215,586</u>
<b>Liabilities</b>										
<b>Current liabilities</b>										
Due to related parties		3,150	-	3,150	3,150	-	3,150	3,360	-	3,360
Accounts payable and accrued liabilities		16,575	-	16,575	31,035	-	31,035	8,566	-	8,566
		<u>19,725</u>	<u>-</u>	<u>19,725</u>	<u>34,185</u>	<u>-</u>	<u>34,185</u>	<u>11,926</u>	<u>-</u>	<u>11,926</u>
<b>Total equity and liabilities</b>		<b>\$ 319,335</b>	<b>\$ -</b>	<b>\$ 319,335</b>	<b>\$ 298,920</b>	<b>\$ -</b>	<b>\$ 298,920</b>	<b>\$ 227,512</b>	<b>\$ -</b>	<b>\$ 227,512</b>

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

### 9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)

#### Reconciliation of Loss and Comprehensive Loss

	Three months ended March 31, 2010			Year ended December 31, 2010		
	Canandian GAAP	Effect of transition of IFRS	IFRS	Canandian GAAP	Effect of transition of IFRS	IFRS
<b>Expenses</b>						
Accounting and legal	\$ 16,500	\$ -	\$ 16,500	\$ 42,339	\$ -	\$ 42,339
Investor relations	-	-	-	537	-	537
Office and administrative fees	25	-	25	645	-	645
Property investigation	7,305	-	7,305	15,544	-	15,544
Rent	1,500	-	1,500	6,000	-	6,000
Transfer agent, listing and filing fees	9,925	-	9,925	20,722	-	20,722
	<u>(35,255)</u>	<u>-</u>	<u>(35,255)</u>	<u>(85,787)</u>	<u>-</u>	<u>(85,787)</u>
<b>Other items</b>						
Foreign exchange gain (loss)	-	-	-	(315)	-	(315)
Interest income	380	-	380	2,078	-	2,078
	<u>380</u>	<u>-</u>	<u>380</u>	<u>1,763</u>	<u>-</u>	<u>1,763</u>
<b>Loss before income tax</b>	<u>(34,875)</u>	<u>-</u>	<u>(34,875)</u>	<u>(84,024)</u>	<u>-</u>	<u>(84,024)</u>
Income tax	-	-	-	-	-	-
<b>Net loss and comprehensive loss for the period</b>	<u>\$ (34,875)</u>	<u>\$ -</u>	<u>\$ (34,875)</u>	<u>\$ (84,024)</u>	<u>\$ -</u>	<u>\$ (84,024)</u>

# FOX RESOURCES LTD.

(An Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2011

(Presented in Canadian dollars)

(UNAUDITED)

### 9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)

#### Reconciliation of Cash Flows

	<u>Three months ended March 31, 2010</u>			<u>Year ended December 31, 2010</u>		
	Canandian GAAP	Effect of transition of IFRS	IFRS	Canandian GAAP	Effect of transition of IFRS	IFRS
<b>Cash flows from operating activities</b>						
Net loss and comprehensive loss for the period	\$ (34,875)	\$ -	\$ (34,875)	\$ (84,024)	\$ -	\$ (84,024)
Changes in non-cash working capital items:						
Receivables	2,377	-	2,377	1,999	-	1,999
Accounts payables and accrued liabilities	14,730	-	14,730	(8,009)	-	(8,009)
Due to related parties	-	-	-	210	-	210
Net cash used in operating activities	(17,768)	-	(17,768)	(89,824)	-	(89,824)
<b>Increase (decrease) in cash and cash equivalents</b>	(17,768)	-	(17,768)	(89,824)	-	(89,824)
<b>Cash and cash equivalents, beginning of the period</b>	316,012	-	316,012	316,012	-	316,012
<b>Cash and cash equivalents, end of the period</b>	\$ 298,244	\$ -	\$ 298,244	\$ 226,188	\$ -	\$ 226,188