

TORO RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011**

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Toro Resources Corp.,

We have audited the accompanying consolidated financial statements of Toro Resources Corp. and its subsidiary, which comprise the consolidated statements of financial position as at June 30, 2012, June 30, 2011 and July 1, 2010, and the consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity for the years ended June 30, 2012 and June 30, 2011 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Toro Resources Corp. and its subsidiary as at June 30, 2012, June 30, 2011 and July 1, 2010 and their financial performance and their cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has limited working capital, no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



CHARTERED ACCOUNTANTS

Vancouver, Canada
October 15, 2012

TORO RESOURCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	JUNE 30 2012	JUNE 30 2011 (Note 13)	JULY 1 2010 (Note 13)
ASSETS			
Current			
Cash and cash equivalents	\$ 140,683	\$ 563,033	\$ 691,850
Amounts receivable	23,329	26,238	4,425
Prepaid expenses	5,446	6,394	10,000
	169,458	595,665	706,275
Equipment (Note 6)	445	1,225	-
Exploration and evaluation assets (Note 7)	859,002	624,983	141,031
Reclamation deposit (Note 5)	46,804	-	-
	\$ 1,075,709	\$ 1,221,873	\$ 847,306
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 94,328	\$ 79,047	\$ 32,664
SHAREHOLDERS' EQUITY			
Share capital (Note 8)	2,202,266	2,142,266	1,480,576
Contributed surplus	154,910	154,910	118,100
Deficit	(1,375,795)	(1,154,350)	(784,034)
	981,381	1,142,826	814,642
	\$ 1,075,709	\$ 1,221,873	\$ 847,306

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors

"William C. Galine"

Director

"Ronald Atlas"

Director

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

TORO RESOURCES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	YEARS ENDED JUNE 30	
	2012	2011 (Note 13)
Expenses		
Consulting fees	55,000	60,000
Depreciation	780	325
Foreign exchange loss	413	5,320
Management fees	48,000	32,000
Office and miscellaneous	24,953	31,205
Professional fees	37,737	102,319
Regulatory fees	4,933	39,944
Rent	15,240	19,139
Share-based payments	-	41,000
Shareholder communications	6,770	9,935
Transfer and filing fees	10,798	15,758
Travel	16,821	13,371
Net loss and comprehensive loss for the year	\$ 221,445	\$ 370,316
Loss per common share, basic and diluted	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	23,271,924	19,787,687

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

TORO RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	YEARS ENDED	
	JUNE 30,	
	2012	2011 (Note 13)
Cash provided by (used In):		
Operating activities		
Net loss for the year	\$ (221,445)	\$ (370,316)
Amounts not affecting cash:		
Amortization	780	325
Share-based payments	-	41,000
	<u>(220,665)</u>	<u>(328,991)</u>
Net changes in non-cash operating working capital items:		
Amounts receivable	2,909	(21,813)
Prepaid expenses	948	3,606
Accounts payable and accrued liabilities	28,585	43,497
Net cash flows used in operating activities	(188,223)	(303,701)
Investing activities		
Mineral property expenditures and acquisition costs	(187,323)	(428,566)
Purchase of equipment	-	(1,550)
Reclamation deposit	(46,804)	-
Net cash flows used in investing activities	(234,127)	(430,116)
Financing activities		
Common shares issued for cash	-	605,000
Net cash flows provided by financing activities	-	605,000
Net decrease in cash and cash equivalents for the year	(422,350)	(128,817)
Cash and cash equivalents, beginning of year	563,033	691,850
Cash and cash equivalents, end of year	\$ 140,683	\$ 563,033
Supplementary disclosure for non-cash investing and financing activities		
Transfer of fair value from contributed surplus to share capital on exercise of options	\$ -	\$ 4,190
Fair value of share issued pursuant to mineral property agreement	\$ 60,000	\$ 52,500

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

TORO RESOURCES CORP.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	SHARE CAPITAL		CONTRIBUTED SURPLUS	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT			
Balance July 1, 2010	16,848,636	\$ 1,480,576	\$ 118,100	\$ (784,034)	\$ 814,642
Shares issued on exercise of stock options	50,000	9,190	(4,190)	-	5,000
Shares issued on exercise of share purchase warrants	6,000,000	600,000	-	-	600,000
Shares issued for mineral property (Note 7)	250,000	52,500	-	-	52,500
Fair value of stock options vesting in year	-	-	41,000	-	41,000
Net loss for the year	-	-	-	(370,316)	(370,316)
Balance June 30, 2011	23,148,636	2,142,266	154,910	(1,154,350)	1,142,826
Shares issued for mineral property (Note 7)	300,000	60,000	-	-	60,000
Net loss for the year	-	-	-	(221,445)	(221,445)
Balance June 30, 2012	23,448,636	\$ 2,202,266	\$ 154,910	\$ (1,375,795)	\$ 981,381

The accompanying notes form an integral part of these consolidated financial statements.

TORO RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2012 AND 2011
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Toro Resources Corporation, (the "Company") was incorporated on June 30, 2005 in British Columbia, Canada and is listed on the Toronto Stock Exchange Venture ("TSX-V") with TRK as the trading symbol.

The Company is a natural resource company engaged in the acquisition and exploration of resource properties in the United States of America. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

The address of the Company's corporate office and principal place of business is Suite 600 – 595 Howe Street, Vancouver, British Columbia, V6C 2T5, Canada.

The consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Standards ("IFRS") as issued by the International Accounting Standards Board ("ISAB").

This is the first time that the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (pre-changeover Canadian GAAP).

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 13.

The consolidated financial statements were authorized for issue by the Board of Directors on October 15, 2012.

b) Basis of Measurement

These financial statements have been prepared under on a historical cost basis except for financial instruments which have been measured at fair value. They include the consolidated financial statements of the Company and its 100% wholly owned U.S. subsidiary Toro Resources Inc. ("TRI"). The functional currency of the parent and its subsidiary company is the Canadian dollar, being the currency of the primary economic environment of the parent entity. The functional currency is also the presentation currency.

TORO RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2012 AND 2011
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

b) Basis of Measurement (Continued)

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods. See Note 4 for Critical Accounting Estimates and Judgments made by management in the application of IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements set out below have been applied consistently in all material respects

The significant accounting policies used in the preparation of these consolidated financial statements set out below have been applied consistently in all material respects.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Nevada subsidiary, Toro Resources Inc. All inter-company balances and transactions have been eliminated on consolidation.

Basic and Diluted Loss per Share

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change, with maturities within three months, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. At June 30, 2012 and 2011 the Company held no cash equivalents.

TORO RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2012 AND 2011
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation costs for mineral properties

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized. Mineral exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Once the technical feasibility and commercial viability of extraction of the mineral resources has been determined, the property is considered to be a property under development and is reclassified as such costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

On an annual basis or when impairment indicators arise, the Company evaluates the future recoverability of its mineral property costs. Impairment losses or write-downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows attributable to such assets.

Exploration and evaluation costs for mineral properties

The recoverability of the amounts capitalized for the undeveloped mineral property is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, the title to its properties are in good standing.

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated commodity prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

Option Payments Received

Option payments received are treated as a reduction of the carrying value of the related mineral properties and deferred exploration costs, and the balance, if any, is taken into income.

TORO RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2012 AND 2011
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of shares that will eventually vest. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Income Taxes

Income tax expense comprises of current and deferred tax. Current and deferred tax is recognized in the statement of operations except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets and liabilities are presented as non-current.

Property and Equipment

Computer Equipment is recorded at cost and amortized over its estimated useful life at the following rate: 50% straight line per annum.

TORO RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2012 AND 2011
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-lived Assets

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of operations for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired.

Financial assets are classified into one of four categories: Financial assets at fair value through profit or loss ("FVTPL"), Held-to-maturity investments, available for sale ("AFS") financial assets and loans and receivable.

The Company has classified cash and cash equivalents as FVTPL and amounts receivable as loans and receivables.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset have been impacted.

TORO RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2012 AND 2011
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivable is reduced through the use of an allowance. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

Impairment losses on loans and receivables carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's financial liabilities include accounts payables and accrued liabilities, which are classified as other financial liabilities. Subsequent to initial recognition, accounts payable and accrued financial liabilities are measured at amortized cost using the effective interest method.

Rehabilitation Provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset. The liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognition in the statement of operations.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed at each reporting date for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of operations for the year.

TORO RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Translation of Foreign Currencies

The functional currency of the Company's foreign subsidiary is the Canadian dollar, being the currency of the primary economic environment of the parent entity. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined and not subsequently restated.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of operation in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Accounting Standards Issued but Not Yet Applied

Effective July 1, 2011, the Company adopted new and revised IFRSs that were issued by the IASB. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

- IFRS 9 Establishes principles for classification and measurement of financial instruments (Effective for annual periods beginning on or after January 1, 2015).
- IFRS 10 Establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities (Effective for annual periods beginning on or after January 1, 2013).
- IFRS 11 Establishes principles for financial reporting by parties to a joint arrangement (Effective for annual periods beginning on or after January 1, 2013).
- IFRS 12 Applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity (Effective for annual periods beginning on or after January 1, 2013).
- IAS 12 Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 (Effective for periods beginning on or after January 1, 2013).
- IAS 27 Contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements (Effective for periods beginning on or after January 1, 2013).

TORO RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Issued but Not Yet Applied (Continued)

- IAS 28 Sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures (Effective for periods beginning on or after January 1, 2013).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

i) Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period the new information becomes available.

ii) Impairment

At each reporting period, assets, specifically exploration & evaluation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

iii) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

TORO RESOURCES CORP.
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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

iv) Title to mineral property interest

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

v) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

vi) Rehabilitation provision

The application of the Company's accounting policy for rehabilitation is based on internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time of the rehabilitation costs are actually incurred.

5. RECLAMATION DEPOSIT

During the year ended June 30, 2012, the Company was required to post a reclamation deposit in the amount of \$46,804 (US\$45,900) with the USDA Forest Service in order to continue its exploration of the Morgan Peak property. The deposit will be refunded to the Company upon completion of reclamation to the satisfaction of the USDA Forrest Service. The reclamation deposits are being held in term deposits with various interest rates. The Company has no constructive or contingent liabilities arising from environmental or reclamation costs.

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6. EQUIPMENT

COST	COMPUTER EQUIPMENT
Balance, July 1, 2010	\$ -
Additions	1,550
Disposals	-
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Balance, June 30, 2011	1,550
Additions	-
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Balance June 30, 2012	\$ 1,550
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DEPRECIATION	
Balance, July 1, 2010	\$ -
Charge for the year	520
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Balance June 30, 2011	325
Charge for the year	780
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Balance June 30, 2012	\$ 1,105
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NET BOOK VALUE	
At June 30, 2011	\$ 1,225
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At June 30, 2012	\$ 445
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TORO RESOURCES CORP.
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7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation costs for the years ended June 30, 2012 and 2011:

	MORGAN PEAK	
	2012	2011
Acquisition costs		
Balance, beginning of year	\$ 153,035	\$ 70,448
Additions	111,173	82,587
Balance, end of year	264,208	153,035
 Deferred exploration and evaluation costs		
Balance, beginning of year	471,948	70,583
Assessments and fees	27,012	36,457
Consulting and engineering	73,935	309,509
Drilling	-	4,813
Field and travel	14,431	35,246
Office	5,931	7,821
Reports and maps	-	5,470
Storage	1,537	2,049
Balance, end of year	594,794	471,948
 Total deferred exploration and evaluation assets	\$ 859,002	\$ 624,983

Morgan Peak, Arizona, USA

On December 10, 2009, the Company entered into a letter of intent with MinQuest Inc. ("MinQuest") to acquire a 100% undivided interest in the Morgan Peak Property in Arizona, USA, comprising 102 unpatented mineral claims covering a total of 2020 acres. Upon execution of the letter of intent, the Company paid to MinQuest a \$10,862 (US\$10,000) non-refundable deposit.

On February 1, 2010, the Company entered into a definitive mineral property agreement (amended June 6, 2012) with MinQuest in respect to the option to acquire a 100% interest in the property subject to a 3% Net Smelter Returns Royalty. At that time, the non-refundable deposit became part of the amount due upon signing the agreement.

On March 10, 2010, the Company assigned all its rights and obligations pursuant to the mineral contract to its wholly owned subsidiary, TRI, a company incorporated in Nevada.

In order to earn the interest, TRC is required to issue an aggregate of 3,000,000 shares of common stock and TRI is required to make cash payments to MinQuest totalling US\$1,000,000, and incur an aggregate of US\$4,300,000 in exploration expenditures as follows:

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7. EXPLORATION AND EVALUATION ASSETS (Continued)

	CASH COMPENSATION (US \$)	SHARE CONSIDERATION (NUMBER OF SHARES)	EXPLORATION EXPENDITURES
Upon signing the agreement	\$ 20,000 (paid)	250,000 (issued)	\$ -
On or before February 1, 2011	20,000 (paid)	250,000 (issued)	250,000 (spent)
On or before February 1, 2012	25,000 (paid)	300,000 (issued)	350,000 (spent)
On or before February 1, 2013	30,000	350,000	-
On or before February 1, 2014	40,000	400,000	950,000
On or before February 1, 2015	50,000	450,000	750,000
On or before February 1, 2016	50,000	500,000	1,000,000
On or before February 1, 2017	50,000	500,000	1,000,000
On or before February 1, 2018	715,000	-	-
	<u>\$ 1,000,000</u>	<u>3,000,000</u>	<u>\$ 4,300,000</u>

In addition, if the price of copper exceeds US\$3.90/lb for a period of 20 consecutive business days between February 1, 2013 and February 1, 2014, the Company shall within 60 days fund a drilling program of US\$150,000.

TR1 also assumed the obligation to make cash payments totalling US\$665,000 to the underlying property vendor as follows:

	CASH COMPENSATION (US \$)
Upon signing the agreement	\$ 10,000 (paid)
December 5, 2010	10,000 (paid)
December 5, 2011	25,000 (paid)
December 5, 2012	30,000
December 5, 2013	40,000
December 5, 2014	50,000
December 5, 2015	50,000
December 5, 2016	50,000
December 5, 2017	400,000
	<u>\$ 665,000</u>

As at June 30, 2012, the Company has paid \$126,708 (US\$110,000) and issued 800,000 common shares with an aggregate fair value of \$137,500 pursuant to the agreement.

The Company also issued 102,000 common shares with a fair value of \$10,200 as finders' fees in respect to the transaction.

During the year ended June 30, 2010, the Company staked a further 28 claims, and during the year ended June 30, 2011, a further 68 claims were staked contiguous to the main property. At June 30, 2012, 8 of the staked claims remain active and the Company has allowed the remaining staked claims to lapse.

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8. SHARE CAPITAL

a) Authorized:

Unlimited voting common shares without par value
Unlimited non-voting preferred shares with a par value of \$1 each (none issued)

b) Issued and Outstanding - Common Shares:

During the year ended June 30, 2012, the Company issued 300,000 common shares pursuant to the Morgan Creek mineral property agreement with a fair value of \$60,000.

During the year ended June 30, 2011, the Company completed the following share issuances:

- i) 6,000,000 common shares pursuant to the exercise of share purchase warrants for aggregate proceeds of \$600,000.
- ii) 50,000 common shares pursuant to the exercise of stock options for gross proceeds of \$5,000.
- iii) 250,000 common shares pursuant to the Morgan Peak mineral property agreement with a fair value of \$52,500.

c) Share Purchase Warrants

As at June 30, 2012, no share purchase warrants for the acquisition of common shares are outstanding.

A summary of changes in share purchase warrants for the years ended June 30, 2012 and 2011 is presented below:

	YEAR ENDED JUNE 30, 2012		YEAR ENDED JUNE 30, 2011	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	1,835,001	\$ 0.30	7,835,001	\$ 0.15
Granted	-	-	-	-
Exercised	-	-	(6,000,000)	0.10
Expired	(1,835,001)	(0.30)	-	-
Balance, end of year	-	\$ -	1,835,001	\$ 0.30

The weighted average share price on the dates the warrants were exercised was nil (2011 - \$0.10.)

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8. SHARE CAPITAL (Continued)

d) Stock Options

The Company has a stock option plan that provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual.

The exercise price of stock options is determined by the board of directors of the Company at the time of grant and may not be less than the closing market price of the Company's shares on the day immediately prior to the award date, less any discount which may be permitted by the exchange on which the Company is listed. Options have a maximum term of five years.

As at June 30, 2012, stock options were outstanding for the purchase of common shares as follows:

NUMBER OF OPTIONS	EXERCISE PRICE PER SHARE	NUMBER EXERCISABLE AT JUNE 30 2012	WEIGHTED AVERAGE EXPECTED LIFE	EXPIRY DATE
1,000,000	\$ 0.10	1,000,000	1.18	March 4, 2015
200,000	\$ 0.18	200,000	0.57	June 3, 2015
50,000	\$ 0.18	50,000	0.16	August 31, 2015
200,000	\$ 0.20	250,000	0.66	March 23, 2016
<u>1,450,000</u>		<u>1,450,000</u>	<u>2.57</u>	

A summary of changes in stock options for the years ended June 30, 2012 and 2011 is presented below:

	YEAR ENDED JUNE 30, 2012		YEAR ENDED JUNE 30, 2011	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	1,450,000	\$ 0.13	1,250,000	\$ 0.11
Granted	-	-	250,000	0.20
Exercised	-	-	(50,000)	0.10
Balance, end of year	<u>1,450,000</u>	<u>\$ 0.13</u>	<u>1,450,000</u>	<u>\$ 0.13</u>

Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The weighted average share price on the dates the options were exercised was nil (2011 - \$0.10).

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8. SHARE CAPITAL (Continued)

e) Share-based Payments

During the year ended June 30, 2012, the Company recorded \$Nil (2011 - \$41,000) in share-based payments for options granted or vesting during the year.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	YEARS ENDED	
	JUNE 30,	
	2012	2011
Risk free interest rate	n/a	2.51%
Expected life	n/a	5 years
Expected volatility	n/a	122%
Expected dividend yield	n/a	-
Expected forfeiture	n/a	-
Weighted average of fair value of options granted	n/a	\$0.16

9. INCOME TAXES

The Company is subject to income taxes on its unconsolidated financial statements in Canada and the United States. The consolidated provision for income taxes varies from the amount that would be computed from applying the combined statutory income tax rates to the net loss before taxes were approximately as follows:

	2012	2011
Combined statutory tax rate	26%	27%
Expected income tax recovery	\$ 57,000	\$ 267,000
Non-deductible differences	43,000	(11,000)
Effect of changes in tax rate	300	42,000
Unrecognized benefit of loss carry forwards	(100,300)	(298,000)
Income tax provision	\$ -	\$ -

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9. INCOME TAXES (Continued)

The significant components of the company's future income tax assets were approximately as follows:

	<u>2012</u>	<u>2011</u>
Losses available for future periods	\$ 496,000	\$ 393,000
Resource property expenditures and equipment	36,000	36,000
Share issuance costs	8,000	13,000
Valuation allowance	<u>(540,000)</u>	<u>(442,000)</u>
Net future income tax asset	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2012, the Company has Canadian and U.S. non-capital losses of approximately \$1,737,000 which may be carried forward and applied against taxable income in future years. These losses expire as follows:

<u>CANADA</u>		<u>U.S.</u>	
2026	\$ 33,000	2026	\$ -
2027	165,000	2027	-
2028	139,000	2028	-
2029	69,000	2029	-
2030	138,000	2030	3,000
2031	340,000	2031	488,000
2032	<u>236,000</u>	2032	<u>126,000</u>
	<u>\$ 1,120,000</u>		<u>\$ 617,000</u>

The Company has resource pools of approximately \$144,000 (2011 – \$144,000) in Canada and \$Nil (2011 - \$Nil) in the U.S. available to offset future taxable income. The tax benefit of these amounts is available for carry-forward indefinitely.

The potential tax benefits of these items have not been recognized as realization is not considered more likely than not.

10. RELATED PARTY TRANSACTIONS

The following related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties. Amounts due to and from related parties were non-interest bearing, unsecured and had not fixed terms of repayment.

In addition to those related party transactions disclosed elsewhere in the financial statements the Company incurred the following transactions and balances:

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10. RELATED PARTY TRANSACTIONS (Continued)

- a) Included in accounts payable is \$64,400 (June 30, 2011 - \$21,776) due to a related individuals for consulting services and amounts of \$501 (June 30, 2011 – \$745) due to a companies with a common director in respect of expense reimbursements.
- b) During the year ended June 30, 2012 and 2011, the Company accrued or was charged the following amounts by Key management personnel, directors, and companies with a common director or officer. Key management personnel are considered to be the President of the Company and the Vice President of Operations.

	YEARS ENDED JUNE 30	
	2012	2011
Amounts paid to key management personnel:		
Office expenses	\$ 1,680	\$ 1,330
Travel	2,280	2,050
Management fees	48,000	32,000
Amounts included in exploration and evaluation costs	40,600	111,579
	92,560	146,959
Amounts paid to other related parties:		
Office expenses	5,305	6,643
Share based payments	-	33,400
Travel	9,970	-
	15,275	40,043
	\$ 107,835	187,002

11. CAPITAL DISCLOSURES

The Company was formed for the purpose of acquiring exploration and development stage natural resource properties. The Board determines the Company's capital structure and makes adjustments to it based on funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Directors have not established quantitative return on capital criteria for capital management.

The Company currently owns 193 unpatented mining claims located in Gila County, Arizona and does not generate any revenue, and accordingly the Company will be dependent in the future upon external financing to fund future exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential provided it has adequate financial resources to do so. The Directors review their capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company is reasonable.

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11. CAPITAL DISCLOSURES (Continued)

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in the statement of shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The Company has no assets or liabilities subject to fair value measurement on a recurring basis. For assets and liabilities measured at fair value on a non-recurring basis, the following table provides the fair value measures by level of valuation assumptions used:

	FAIR VALUE INPUT LEVEL	YEAR ENDED JUNE 30, 2012		YEAR ENDED JUNE 30, 2011	
		CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Financial Assets:					
Cash and cash equivalents	1	\$ 140,683	\$ 140,683	\$ 563,033	\$ 563,033
Reclamation deposit	2	46,804	46,804	-	-
		\$ 187,487	\$ 187,487	\$ 563,033	\$ 563,033

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Due to the relatively short term nature of cash, amounts receivable, reclamation deposit and accounts payable and accrued liabilities, the fair value of these instruments approximates their carrying value.

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

a) Credit Risk

The Company's credit risk is primarily attributable to cash, short-term investments and amounts receivable. Cash and short-term investments are held with one reputable Canadian chartered bank which is closely monitored by management. Financial instruments included in amounts receivable consist primarily of GST/HST recoverable from the Canadian government. Management believes that the credit risk concentration with respect to financial instruments included in cash, short-term investments and amounts receivable is minimal.

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2012, the Company held cash of \$140,683 (June 30, 2011 - \$563,033) and had current liabilities of \$94,328 (June 30, 2011 - \$79,047). All of the Company's liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

c) Market Risk

i) Interest Rate Risk

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

ii) Foreign Currency Risk

The Company's functional currency and the reporting currency is the Canadian dollar ("CDN\$"). Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company holds a 100% interest in its subsidiary Toro Resources Inc. ("TRI") which operates in the United States of America. TRI has transactions which are recorded in the US Dollar ("USD\$").

As a result, the Company is subject to foreign currency and exchange risk on the translation of these transactions and year end balances to the reporting currency. Any gains or losses arising in the period are included in operations for the year.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

ii) Foreign Currency Risk (Continued)

As at June 30, 2012 and June 30, 2011, a 1% strengthening in the USD relative to the CDN\$ does not have a significant impact on the net loss for the year.

Any unrealized translation adjustments arising at period end are included in operating loss for the year.

The mineral property contract (Note 7) is denominated in US Dollars, and accordingly, changes in the exchange rate will affect the Company's future cash outflows pursuant to this agreement. As at June 30, 2012, a 1% strengthening in the USD\$ relative to the CDN\$ would result in future cash outflows increasing by approximately CDN\$ 55,000.

The Company does not participate in any hedging activities to mitigate any gains or losses which may arise as a result of exchange rate changes.

As at June 30, 2012, financial assets and liabilities denominated in currencies other than the Canadian dollar are as follows:

	FINANCIAL ASSETS	FINANCIAL LIABILITIES
US dollars	\$ 53,368	\$ 3,946

iii) Commodity Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company

13. FIRST TIME ADOPTION OF IFRS

The accounting policies set out in Note 3 have been applied in preparing these consolidated financial statements for the year ended June 30, 2012, the comparative information presented in these financial statements for the year ended June 30, 2011, and the in preparation of an opening IFRS statement of financial position as at July 1, 2010.

IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), requires first time adopters to retrospectively apply all the effective IFRS standards as at the reporting date of June 30, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time adoptions.

In preparing the Company's opening IFRS statement of financial position, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

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13. FIRST TIME ADOPTION OF IFRS (Continued)

The Company has applied the following optional exemptions and exceptions from full retrospective application of IFRS 1:

Mandatory exceptions to the retrospective applications of other IFRS

There are four mandatory exceptions under IFRS 1. All four exceptions were applied. There is no impact on the Company (IFRS 1 Appendix B).

Elected exemptions from full retrospective application

Share-based payment transactions (IFRS 1 paragraphs D2 and D3)

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and that vest before the transition date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 to all outstanding equity instruments that are unvested prior to the date of transition to IFRS. No adjustment is necessary.

Decommissioning liabilities included in the cost of property, plant and equipment (IFRS 1 paragraphs D21 and D21A)

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. No adjustment is necessary.

Business combinations (IFRS 1 Appendix C)

The Company has elected not to retrospectively apply IFRS 3, Business Combinations, to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated. No adjustment is necessary.

Deemed costs (IFRS 1 Appendix D.6(c))

At the transition date, the Company elected to continue with the policy of measuring mineral property costs at the previous Canadian GAAP historical cost. No adjustment is necessary.

Extinguishing financial liabilities with equity instruments (IFRS 1 Appendix D.25)

IFRIC 19 provides guidance on how an entity should account for such transactions in accordance with IAS39 *Financial Instruments Recognition and Measurement* and IAS 32 *Financial Instruments Presentation*. A first time adopter may apply the transitional provision in IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* for such transaction occurring prior to the Transition date. The exemption is taken as a precaution. No adjustment is necessary.

Cumulative Translation Differences (IFRS 1 Appendix D.12)

The exemption directs that cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS; and the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to IFRS and shall include later translation differences. The cumulative translation difference at transition is immaterial. No adjustment is necessary.

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13. FIRST TIME ADOPTION OF IFRS (Continued)

The following is a reconciliation of the Company's Condensed Consolidated Statement of Financial Position as at the transition date of July 1, 2010:

	Canadian GAAP	JULY 1, 2010 Effect of Transition	IFRS
ASSETS			
Current			
Cash	\$ 691,850	\$ -	\$ 691,850
Amounts receivable	4,425	-	4,425
Prepaid expenses	10,000	-	10,000
	<u>706,275</u>	-	<u>706,275</u>
Equipment	-	-	-
Exploration and evaluation assets (Note 7)	<u>141,031</u>	-	<u>141,031</u>
	<u>\$ 847,306</u>	\$ -	<u>\$ 847,306</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 32,664	\$ -	\$ 32,664
SHAREHOLDERS' EQUITY			
Share capital	1,480,576	-	1,480,576
Contributed surplus	118,100	-	118,100
Deficit	(784,034)	-	(784,034)
	<u>814,642</u>	-	<u>814,642</u>
	<u>\$ 847,306</u>	\$ -	<u>\$ 847,306</u>

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13. FIRST TIME ADOPTION OF IFRS (Continued)

The following is a reconciliation of the Company's Condensed Consolidated Statement of Financial Position as at June 30, 2011:

	JUNE 30, 2011		
	Canadian GAAP	Effect of Transition	IFRS
ASSETS			
Current			
Cash	\$ 563,033	\$ -	\$ 563,033
Amounts receivable	26,238	-	26,238
Prepaid expenses	6,394	-	6,394
	<u>595,665</u>	-	<u>595,665</u>
Equipment	1,225	-	1,225
Exploration and evaluation assets (Note 7)	<u>624,983</u>	-	<u>624,983</u>
	<u>\$ 1,221,873</u>	\$ -	<u>\$ 1,221,873</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 79,047	\$ -	\$ 79,047
SHAREHOLDERS' EQUITY			
Share capital	2,142,266	-	2,142,266
Contributed surplus	154,910	-	154,910
Deficit	<u>(1,154,350)</u>	-	<u>(1,154,350)</u>
	<u>1,142,826</u>	-	<u>1,142,826</u>
	<u>\$ 1,221,873</u>	\$ -	<u>\$ 1,221,873</u>

The following is a reconciliation of the Company's net loss and comprehensive loss reported in accordance with Canadian GAAP to its net loss and comprehensive loss in accordance with IFRS for the year ended June 30, 2011.

	Year Ended June 30 2011
Loss as reported under Canadian GAAP	\$ (370,316)
IFRS adjustment (increase) decrease	-
Net loss and comprehensive loss as reported under IFRS	<u>\$ (370,316)</u>

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13. FIRST TIME ADOPTION OF IFRS (Continued)

Explanation of Reconciling Items

No restatement or reclassification of the consolidated income statement was required for the year ended June 30, 2011.

There is no impact on the consolidated statement of cash flows for the year ended June 30, 2011 as a result of adopting IFRS.