

**RARA TERRA MINERALS CORP.**  
**Condensed Interim Financial Statements**  
**Three Months Ended June 30, 2012**

**Expressed in Canadian Dollars**  
**(Unaudited)**

#### **NOTICE TO READER**

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 the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management of Rara Terra Minerals Corp.

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

Rara Terra Minerals Corp.  
 Statements of Financial Position  
 (Expressed in Canadian dollars - unaudited)

	Notes	June 30, 2012	March 31, 2012
<b>ASSETS</b>			
(audited)			
<b>Current assets</b>			
Cash		\$ 1,324,605	\$ 1,330,361
Prepaid expenses		7,500	7,500
HST Receivable		-	116,958
		1,332,105	1,454,819
<b>Non-current assets</b>			
Exploration and evaluation assets	3	490,410	457,750
		490,410	457,750
<b>TOTAL ASSETS</b>		<b>\$ 1,822,515</b>	<b>\$ 1,912,569</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	4	\$ 21,694	\$ 23,459
Due to related parties	5	-	3,291
		21,694	26,750
<b>TOTAL LIABILITES</b>		<b>21,694</b>	<b>26,750</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	2,609,699	2,603,099
Share-based payment reserve	6	269,875	269,875
Deficit		(1,078,753)	(987,155)
<b>TOTAL EQUITY</b>		<b>1,800,821</b>	<b>1,885,819</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 1,822,515</b>	<b>\$ 1,912,569</b>

Subsequent Events (Note 7)

[Signed]

Fraser Atkinson, Director

[Signed]

Roger Flowerdew, CFO & Director

Rara Terra Minerals Corp.  
 Statements of Comprehensive Loss  
 (Expressed in Canadian dollars - unaudited)

	Notes	Three month periods ended	
		June 30, 2012	June 30, 2011
<b>Expenses</b>			
Bank charges and interest		\$ 7	\$ 77
Consulting and management fees	5	63,000	86,130
Exploration		8,575	-
General and administrative		1,273	2,841
Investor relations		5,839	-
Professional fees		899	39,954
Rent	5	10,500	4,000
Stock based compensation		-	191,504
Transfer agent and filing fees		1,177	29,854
Travel and promotion		642	34,472
		(91,912)	(388,832)
<b>Other Item</b>			
Interest income		314	-
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (91,598)</b>	<b>\$ (388,832)</b>
<b>Loss per share – basic and diluted</b>	6	<b>\$ (0.00)</b>	<b>\$ (0.05)</b>

Rara Terra Minerals Corp.  
Statement of Changes in Shareholders' Equity  
(Expressed in Canadian dollars - unaudited)

	Notes	Share capital		Share-based payment reserve	Other component of equity	Deficit	Total
		Number of shares	Amount				
<b>Balance at April 1, 2011</b>		<b>6,600,000</b>	<b>\$ 399,384</b>	<b>\$ 49,613</b>	<b>\$ (30,000)</b>	<b>\$ (168,625)</b>	<b>\$ 250,372</b>
Comprehensive income:							
Loss for the period		-	-	-	-	(388,832)	(388,832)
Transactions with shareholders, in their capacity as shareholders and other transfers:							
Shares issued for cash – private placement		9,092,401	2,313,170	-	30,000	-	2,343,170
Flow-through liabilities		-	(40,047)	-	-	-	(40,047)
Share issue costs		-	(235,002)	35,274	-	-	(199,728)
Shares issued for cash – warrant exercise		300,000	45,845	(15,845)	-	-	30,000
Shares issued to acquire exploration and evaluation asset		82,500	22,687	-	-	-	22,687
Stock-based compensation		-	-	191,504	-	-	191,504
<b>Balance at June 30, 2011</b>		<b>16,074,901</b>	<b>\$ 2,506,037</b>	<b>\$ 260,546</b>	<b>\$ -</b>	<b>\$ (557,457)</b>	<b>\$ 2,209,126</b>
<b>Balance at April 1, 2012</b>		<b>16,224,901</b>	<b>\$ 2,603,099</b>	<b>\$ 269,875</b>	<b>-</b>	<b>\$ (987,155)</b>	<b>\$ 1,885,819</b>
Comprehensive income:							
Loss for the period		-	-	-	-	(91,598)	(91,598)
Transactions with shareholders, in their capacity as shareholders, and other transfers:							
Shares issued to acquire exploration and evaluation asset		82,500	6,600	-	-	-	6,600
<b>Balance at June 30, 2012</b>		<b>16,307,401</b>	<b>\$ 2,609,699</b>	<b>\$ 269,875</b>	<b>\$ -</b>	<b>\$ (1,078,753)</b>	<b>\$ 1,800,821</b>

See accompanying notes to the financial statements

Rara Terra Minerals Corp.  
 Statements of Cash Flows  
 (Expressed in Canadian dollars – unaudited)

	Three month periods ended	
	June 30, 2012	June 30, 2011
<b>Operating activities</b>		
Net loss	\$ (91,598)	\$ (388,832)
Adjustments for non-cash items:		
Stock-based compensation	-	191,504
Changes in non-cash working capital items:		
Receivables	116,958	(15,817)
Accounts payables and accrued liabilities	(1,765)	59,062
Due to related parties	(3,291)	(3,235)
<b>Net cash flows used in operating activities</b>	<b>20,304</b>	<b>(157,318)</b>
<b>Investing activities</b>		
Acquisition of exploration and evaluation assets	(26,060)	(90,390)
<b>Net cash flows used in investing activities</b>	<b>(26,060)</b>	<b>(90,390)</b>
<b>Financing activities</b>		
Proceeds received for shares issued, net of issuance costs	-	2,173,442
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>2,173,442</b>
Increase (decrease) in cash	(5,756)	(1,925,734)
Cash, beginning	1,330,361	194,087
<b>Cash, ending</b>	<b>\$ 1,324,605</b>	<b>\$ 2,119,821</b>
<b>Non-cash transaction:</b>		
Fair value of shares issued for acquisition of exploration and evaluation assets	\$ 6,600	\$ 22,687

**1. Nature and continuance of operations**

Rara Terra Minerals Corp. (the "Company") was incorporated in the name of Rara Terra Capital Corp. under the British Columbia Business Corporations Act on December 17, 2009. The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange and completed its Qualifying Transaction in May 2011 and changed its name to Rara Terra Minerals Corp. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable.

The head office and principal address of the Company are located at 1100 Melville Street, Suite 830, Vancouver, British Columbia, Canada, V6E 4A6. The Company's records and registered address is 885 West Georgia Street, Suite 800, Vancouver, British Columbia, Canada, V6C 3H1.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2012 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months from existing working capital and or the private placement of common shares.

**2. Significant accounting policies and basis of preparation**

(a) Basis of preparation

These Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS 34"), Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual audited financial statements, and should be read in conjunction with the Company's financial statements as at and for the year ended March 31, 2012. Accounting policies applied in the preparation of these unaudited condensed interim financial statements are the same as those applied in the preparation of the Company's annual audited financial statements for the year ended March 31, 2012. The unaudited condensed interim financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which are stated at fair value.

New or amended accounting standards have been issued by the IASB but are not yet effective, and have not been applied by the Company, are as outlined in Note 2 of the March 31, 2012 annual audited financial statements.

These unaudited condensed interim financial statements were authorized for issue by the Board of Directors on August 29, 2012.

(b) Use of estimates and judgments

The preparation of the Company's financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

**2. Significant accounting policies and basis of preparation (Continued)**

(b) Use of estimates and judgments (continued)

Significant areas requiring the use of estimates include the recoverability of exploration and evaluation of assets and the fair value of stock-based compensation.

**3. Exploration and evaluation assets**

	March 31, 2012	Additions	June 30, 2012
Acquisition costs:			
Lonnie Property	\$ 44,687	\$ 13,207	\$ 57,894
Xeno Property	120,500	-	120,500
<b>Total acquisition costs</b>	<b>165,187</b>	<b>13,207</b>	<b>178,394</b>
Exploration and evaluation costs:			
Lonnie Property:			
Consulting	50,038	-	50,038
Geological survey	126,176	5,531	131,707
Staking	350	4,794	5,144
Xeno Property:			
Consulting	4,168	-	4,168
Geological survey	97,745	-	97,745
Staking	14,086	9,128	23,214
<b>Total deferred exploration costs</b>	<b>292,563</b>	<b>19,453</b>	<b>312,016</b>
	<b>\$ 457,750</b>	<b>\$ 32,660</b>	<b>\$ 490,410</b>

***Lonnie Property, British Columbia***

On January 31, 2011, the Company entered into an agreement to purchase an undivided 60% interest in certain mining claims located in the Omineca Mining division of British Columbia for the following considerations:

- a) \$60,000 to be paid as:
- \$10,000 refundable deposit paid Nov 29, 2010 (paid);
  - \$10,000 refundable deposit on agreement execution (paid);
  - \$4,607 on May 5, 2012 (paid); and
  - \$20,000 before May 5, 2013.
- b) \$500,000 exploration expenditures to be incurred as:
- \$100,000 on or before May 5, 2012 (expended);
  - \$100,000 on or before May 5, 2013; and
  - \$300,000 on or before May 5, 2014.



**3. Exploration and evaluation assets (cont'd)**

***Lonnie Property, British Columbia*** (cont'd)

- c) Shares to be issued as:
- 75,000 on or before the Acceptance Date (issued with a fair value of \$20,625);
  - 75,000 on or before May 5, 2012 (issued with a fair value of \$6,000);
  - 75,000 on or before May 5, 2013; and
  - 60,000 on or before May 5, 2014.

Upon the closing of the Qualifying Transaction, the Company will commence payments, of cash of \$6,000 and share issuance of 30,000 shares in total, as finders' fees to two unrelated individuals:

- Cash payments of \$2,000 (paid) and issuance of 7,500 (issued with a fair value of \$2,062) shares on the Acceptance Date;
- Cash payments of \$2,000 (paid) and issuance of 7,500 (issued with a fair value of \$600) shares on May 5, 2012;
- Cash payments of \$2,000 and issuance of 7,500 shares on May 5, 2013; and
- Issuance of 7,500 shares on May 5, 2014.

***Xeno Property, British Columbia***

On June 9, 2011, the Company entered into an option agreement to acquire a 100% interest in certain claims in the Xeno property in British Columbia, Canada for the following consideration:

- \$14,500 upon signing of the agreement (paid);
- \$12,500 (paid) and 75,000 common shares upon approval of the Exchange (issued with a fair value of \$18,750);
- \$10,000 and 50,000 common shares on the 1<sup>st</sup> anniversary of the Exchange approval date (refer to Note 7); and
- \$10,000 and 50,000 common shares on the 2<sup>nd</sup> anniversary of the Exchange approval date.

On June 15, 2011, the Company entered into an option agreement to acquire a 100% interest in certain claims in the Xeno property in British Columbia, Canada for the following consideration:

- \$28,000 upon signing of the agreement (paid);
- \$28,000 (paid) and 75,000 common shares upon approval of the Exchange (issued with a fair value of \$18,750); and
- \$50,000 and 115,000 common shares on the 1<sup>st</sup> anniversary of the Exchange approval date (refer to Note 7).

**4. Accounts payables and accrued liabilities**

	<b>June 30, 2012</b>	<b>March 31, 2012</b>
Accounts payables	\$ 2,423	\$ 8,459
HST payable	4,271	-
Accrued liabilities	15,000	15,000
	<b>\$ 21,694</b>	<b>\$ 23,459</b>

**5. Related party transactions**

***Related party balances:***

The following amounts are due to related parties:

	June 30, 2012	March 31, 2012
Directors of the Company	\$ -	\$ 3,291

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

***Related party transactions:***

The Company incurred the following transactions with the directors of the Company and company's that are controlled by directors of the Company.

	Three month periods ended	
	June 30, 2012	June 30, 2011
Consulting fees	\$ 63,000	\$ 68,530
Rent	10,500	4,000
	\$ 73,500	\$ 72,530

***Key management personnel compensation***

	Three month periods ended	
	June 30, 2012	June 30, 2011
Stock-based compensation	\$ -	\$ 191,504
Consulting	63,000	68,530
	\$ 63,000	\$ 260,034

**6. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

At June 30, 2012 there were 16,307,401 issued and fully paid common shares (March 31, 2012 – 16,224,901).

***Share issuances***

During the three months ended June 30, 2012, and other than disclosed in Note 3 and as described below as share issuances for exploration and evaluation assets, the Company did not issue any common shares.

***Share issuances for exploration and evaluation assets***

During the three months ended June 30, 2012, the Company issued 75,000 common shares at a fair value of \$6,000 as part of the purchase price of the Lonnie Property (Note 3). Further, the Company issued 7,500 common shares with a fair value of \$600 as finders' fees for the Lonnie Property (Note 3).

**6. Share capital (cont'd)**

***Basic and diluted loss per share***

The calculation of basic and diluted loss per share for the three months ended June 30, 2012 was based on the loss attributable to common shareholders of \$91,598 (2011 - \$388,832) and the weighted average number of common shares outstanding of 16,238,463 (2011 - 8,103,135).

Diluted loss per share did not include the effect of 1,224,100 stock options or 4,846,361 warrants as the effect would be anti-dilutive.

***Stock options***

The changes in options during the three month period ended June 30, 2012 are as follows:

	<b>June 30, 2012</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>
Options outstanding, beginning of period	1,224,100	\$ 0.20
Options granted	-	-
Options cancelled	-	-
Options outstanding, end of period	1,224,100	\$ 0.20

Details of options outstanding as at June 30, 2012 are as follows:

<b>Exercise price</b>	<b>Remaining contractual life</b>	<b>Number of options outstanding</b>
\$0.10	3.16 years	450,000
\$0.26	3.84 years	724,100
\$0.26	4.02 years	50,000
		1,224,100

At June 30, 2012, the weighted average remaining contractual life of options outstanding was 3.67 years.

***Warrants***

The changes in warrants during the three month period ended June 30, 2012 are as follows:

	<b>June 30, 2012</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Warrants outstanding, beginning of period	4,846,361	\$ 0.39
Warrants granted	-	-
Finder's warrants	-	-
Warrants exercised	-	-
Warrants outstanding, end of period	4,846,361	\$ 0.39

**6. Share capital (cont'd)**

***Warrants*** (cont'd)

Details of warrants outstanding as at June 30, 2012 are as follows:

<b>Weighted average exercise price</b>	<b>Remaining contractual life</b>	<b>Number of warrants outstanding</b>
\$ 0.39	0.35 years	4,546,201
\$ 0.25	0.35 years	300,160
		<b>4,846,361</b>

**7. Subsequent Event**

The Company made the following payments pursuant to the Xeno property agreements:

- \$10,000 on July 3, 2012
- \$50,000 on July 9, 2012
- 165,000 Shares on July 12, 2012