KARIANA RESOURCES INC.

(An Exploration Stage Enterprise)

CONDENSED INTERIM FINANCIAL STATEMENTS

Third Quarter Ended September 30, 2011

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Kariana Resources Inc. for the nine months ended September 30, 2011 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

The accompanying unaudited condensed 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 condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim financial statements by an entity's auditor.

KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(Unaudited, Prepared by Management)
CONDENSED INTERIM FINANCIAL STATEMENTS OF FINANCIAL POSITION

	Notes	September 30, 2011 $	December 31, 2010 $ Note 10
ASSETS			
Current assets			
Cash		778,913	360,732
Receivable		16,008	195
Total Current Assets		794,921	360,927
Non-Current assets			
Deferred financing costs	4	-	15,000
Exploration & evaluation assets	3	103,145	46,357
Total Non-Current Assets		103,145	61,357
TOTAL ASSETS		898,066	422,284
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		24,035	7,500
Total Current Liabilities		24,035	7,500
EQUITY			
Share capital	4	964,696	422,500
Reserves		163,596	-
Accumulated deficit		(254,261)	(7,716)
Total Equity		874,031	414,784
TOTAL LIABILITIES AND EQUITY		898,066	422,284

These condensed interim financial statements are authorized for issue by the Board of Directors on November 25, 2011. They are signed on the Company's behalf by:

"Herrick Lau"	Director	*"David Velisek"*	Director
Herrick Lau		David Velisek	

(The accompanying notes are an integral part of these condensed interim financial statements.)

KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(Unaudited, Prepared by Management)
CONDENSED INTERIM FINANCIAL STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended September 30, 2011 $	**Three Months Ended September 30, 2010** $	**Nine Months Ended September 30, 2011** $	**Nine Months Ended September 30, 2010** $
EXPENSES				
Accounting fees	-	-	16,030	-
Consulting fees	24,531	-	24,531	-
Filing fees	3,090	-	25,404	-
Legal fees	4,062	-	41,562	-
Meals and travel expenses	1,358	-	1,808	-
Office and general	3,214	14	5,157	14
Share-based payments	132,076	-	132,076	-
Loss before undernoted income (expenses)	(168,331)	(14)	(246,568)	(14)
Undernoted Income				
Interest Income	23	-	23	-
Net loss and comprehensive loss for the period	(168,308)	(14)	(246,545)	(14)
Loss per share, basic and diluted	$0.02	$0.00	$0.03	$0.00
Weighted average common shares outstanding	9,797,826	93,751	8,655,586	93,751

(The accompanying notes are an integral part of these condensed interim financial statements.)

KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(Unaudited, Prepared by Management)

CONDENSED INTERIM FINANCIAL STATEMENTS OF CHANGES IN EQUITY

	Number of Shares	Common Shares $	Reserves $	Deficit $	Shareholders' Equity $
Balance – September 14, 2010	-	-	-	-	-
Share issued upon incorporation	1	1	-	-	1
Repurchase of share and cancelled, September 30, 2010	(1)	(1)	-	-	(1)
Non-brokered private placement, September 30, 2010	1,500,000	15,000	-	-	15,000
Non-brokered private placement, November 8, 2010	5,000,000	250,000	-	-	250,000
Non-brokered private placement, December 3, 2010	1,500,000	150,000	-	-	150,000
Finder's shares	75,000	7,500	-	-	7,500
Loss for the period	-	-	-	(7,716)	(7,716)
Balance – December 31, 2010	8,075,000	422,500	-	(7,716)	414,784
Initial public offering ("IPO"), August 15, 2011	3,000,000	600,000	-	-	600,000
IPO agent's shares	350,000	70,000	-	-	-
IPO agent's warrants	-	-	31,520	-	-
Share issuance cost	-	(147,804)	-	-	(46,284)
Issuance pursuance to mineral property option agreement	100,000	20,000	-	-	20,000
Share-based payments	-	-	132,076	-	132,076
Loss for the period	-	-	-	(246,545)	(246,545)
Balance – September 30, 2011	11,525,000	964,696	163,596	(254,261)	874,031

(The accompanying notes are an integral part of these condensed interim financial statements.)

KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(Unaudited, Prepared by Management)

CONDENSED INTERIM FINANCIAL STATEMENTS OF CASH FLOW

	Three Months Ended September 30, 2011 $	**Three Months Ended September 30, 2010** $	**Nine Months Ended September 30, 2011** $	**Nine Months Ended September 30, 2010** $
Cash provide by (used in):				
Operating activities				
Net loss for the period	(168,308)	(14)	(246,545)	(14)
Adjustment for items not involving cash:				
Share-based payments	132,076	-	132,076	-
Changes in non-cash operating working				
Accounts receivable	(12,261)	-	(15,813)	-
Accounts payable and accrued liabilities	(24,123)	-	16,535	-
Net change in operating activities	(72,616)	(14)	(113,747)	(14)
Investing activities				
Acquisition of mineral interest	(15,000)	(12,000)	(15,000)	(12,000)
Deferred exploration expenditures	(11,788)	-	(21,788)	-
Net change in investing activities	(26,788)	(12,000)	(36,788)	(12,000)
Cash flow from financing activities:				
Share capital	600,000	15,000	600,000	15,000
Loan proceed received	-	25,000	-	25,000
Share issuance cost	(31,284)	-	(31,284)	-
Net change in cash flows from financing activities	568,716	40,000	568,716	40,000
Net change in cash	469,312	27,986	418,181	27,986
Cash and cash equivalents, beginning of period	309,601	-	360,732	-
Cash and cash equivalents, end of period	778,913	27,986	778,913	27,986

Supplemental disclosures of cash flow information (Note 8)

(The accompanying notes are an integral part of these condensed interim financial statements.)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Kariana Resources Inc. (the "Company") was incorporated on September 14, 2010 pursuant to the provision of the *Business Corporations Act* (British Columbia). The Company is engaged primarily in the business of evaluating, acquiring and exploring natural resource properties. The Company's head office is located at 1980 – 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9, Canada. The Company's shares commenced trading on the Canadian Stock Exchange under the trading symbol "KAA" on August 17, 2011.

The financial information is presented in Canadian Dollars, which is the functional currency of the Company.

The amounts shown as deferred exploration expenditures represent net costs to date, less any amounts amortized and/or written off, and do not necessarily represent present or future values. The recoverability of these amounts and any additional amounts required to place these properties into commercial production are dependent upon certain factors. These factors include the existence of ore deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop its mineral properties.

The Company has working capital as at September 30, 2011 of $770,886 and an accumulated deficit of $254,261. These financial statements have been prepared under the assumptions of a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent upon obtaining additional financing to meet its operating and exploration expenses in the future.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. Accordingly, these financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern.

2. SIGNIFICANT ACCOUNTING POLICIES

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, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian Securities regulatory authorities.

These condensed interim financial statements, including comparatives, 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").

The Company's annual financial statements for the year ending December 31, 2011 will be presented in accordance with IFRS. Previously, the Company prepared its annual financial statements in accordance with GAAP.

Basis of presentation

These condensed interim financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss that have been measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

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 on December 31, 2011, the Company's first annual reporting date.

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared with the December 31, 2010 financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. The impact of the transition from GAAP to IFRS is explained in Note 10.

Interest income

Interest income from financial assets is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Foreign currencies

The Company's reporting and functional currency is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange in effect at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financing costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of operations.

Property and equipment

Equipment is recorded at cost less accumulated depreciation. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location, and condition necessary for its intended use. At each reporting period, the Company evaluates the estimated lives of its property and equipment and changes in circumstances indicating that the carrying value may not be recoverable.

Depreciation is calculated on a straight-line basis over the estimated useful life of 3 years.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Exploration and evaluation assets

The Company's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration/pre-development stage.

No depreciation charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development assets upon the commencement of mine development.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditure related to an area of interest where the Company has tenure are capitalized as intangible assets and are recorded at cost less impairment.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

All capitalized exploration and evaluation expenditure is assessed for impairment for each reporting period and is impaired if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

Decommissioning and rehabilitation liabilities

The Company recognizes the fair value of a decommissioning and restoration liability the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the decommissioning and restoration liability due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company did not have any significant decommissioning and restoration obligations as September 30, 2011.

Share-based payments

The share option plan allows Company employees (including directors and senior executives) and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognized for awards that do not ultimately vest.

At the time when the share options are exercised, the amount previously recognized in share option reserve is transferred to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share option expense is transferred to accumulated losses.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payments arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common share and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned nil value and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

Comprehensive loss

Comprehensive loss is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale. The Company does not have any items representing comprehensive income or loss.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Taxation

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

(b) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

  Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit of loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Financial instruments – recognition and measurement

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value through profit and loss are measured at amortized cost using the effective interest rate method.

The Company has implemented the following classifications for its financial instruments:

a) Cash has been classified as FVTPL.
b) Receivables have been classified as loans and receivables.
c) Payables and accruals have been classified as financial liabilities not at fair value through profit and loss.

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash. The cash and cash equivalents are mainly denominated in Canadian dollars.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements and are disclosed in the notes to the financial statements unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes to the financial statements if their recovery is deemed probable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Significant accounting judgements and estimates

The preparation of condensed interim financial statements in accordance with IFRS 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. 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 the current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the 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:

(a) the inputs used in accounting for share purchase option expense in the interim statements of comprehensive loss.

(b) the provision for income taxes which is included in the interim statements of comprehensive loss and composition and quantification of deferred income tax assets and liabilities included in the interim statement of financial position.

(c) the recoverability of exploration and evaluation assets in the interim statements of financial position.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2011 reporting period:

(a) IFRS 9, Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9, *Financial Instruments* ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments due in March and April of 2011. The complete IFRS 9 is anticipated to be issued during the second half of 2011. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

(Expressed in Canadian Dollars, unless stated otherwise)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

(b) IFRS 10, Financial Statements

IFRS 10 establishes principles for the presentation and preparation of financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 39, *Financial Instruments: Recognition and Measurement*. The Company has not early adopted the standard and is currently assessing the impact it will have on the financial statements.

(c) IFRS 11, Joint Arrangements

IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, and is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently evaluating the impact of this standard on its financial statements.

(d) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently evaluating the impact of this standard on its financial statements.

(e) IFRS 13, Fair Value Measurements

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, expect in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently assessing the impact of the standards on its financial statements.

The Company anticipates that the application of these standards, amendments and interpretations will have no material impact on the results and financial position of the Company as of September 30, 2011.

3. EXPLORATION & EVALUATION ASSETS

South Baird Property, Ontario, Canada

	$
Acquisition Costs	12,000
Finder's Fee	32,500
Mineral Property Interest	44,500
Exploration Costs	
Geological consulting	1,857
Balance December 31, 2010	46,357
Acquisition Costs	35,000
Mineral Property Interest	35,000
Exploration Costs	
Drilling	5,585
Field expenses and others	4,698
Geological consulting	7,350
Option payments	35,000
Report and assays	4,155
Balance September 30, 2011	103,145

(Expressed in Canadian Dollars, unless stated otherwise)

3. EXPLORATION & EVALUATION ASSETS (CONT'D…)

On September 21, 2010, the Company signed an option agreement (the "Option Agreement") with Perry Vern English, for and on behalf of Rubicon Minerals Corporation (the "Optionor") to acquire an undivided 100% interest in the South Baird Property (the "South Baird Property"), subject to a 2% net smelter return ("NSR") to the Optionor, with an option buyout of 50% of the NSR for $1,000,000 upon or prior to the commencement of commercial production. The South Baird Property is located in the District of Red Lake Mining in the province of Ontario.

As at September 30, 2011, the Company has the following future requirements to fulfill its obligation under the Option Agreement:

Date	Shares	Cash Payments
Paid on September 21, 2010	-	$12,000 (Paid)
Issue within 30 days of completion of IPO	100,000 (Issued)	-
September 21, 2011	-	$15,000 (Paid)
September 21, 2012		$20,000
September 21, 2013	-	$30,000
September 21, 2014	-	$35,000
Total	**100,000**	**$112,000**

The Company entered into a finder's fee agreement dated November 25, 2010 in connection with the acquisition of the South Baird Property. The Company paid finder's fee in cash of $25,000 and issued 75,000 common shares on December 23, 2010.

Pursuant to the Option Agreement, the Company issued 100,000 common shares at $0.20 per share to the Optionor on August 17, 2011 after the Company's initial public offering ("IPO" or the "Offering").

4. CAPITAL AND RESERVES

A. Common Shares

Authorized: Unlimited number of common voting shares without nominal or par value

B. Issued share capital:

i. Upon incorporation on September 14, 2010, the Company issued one common share at $1.00 per share which was subsequently repurchased and cancelled on September 30, 2010.

ii. On September 30, 2010, the Company issued 1,500,000 common shares at $0.01 per share for gross cash proceeds of $15,000.

iii. On November 8, 2010, the Company issued 5,000,000 common shares at $0.05 per share for gross cash proceeds of $250,000.

iv. On December 3, 2010, the Company issued 1,500,000 common shares at $0.10 per share for gross cash proceeds of $150,000.

v. On December 23, 2010, the Company issued 75,000 common shares at a value of $0.10 per share, for a total value of $7,500, pursuant to a finder's fee agreement (Note 3).

(Expressed in Canadian Dollars, unless stated otherwise)

4. CAPITAL AND RESERVES (CONT'D…)

B. Issued share capital:

vi. On August 15, 2011, the Company has completed its Offering pursuant to its prospectus dated May 13, 2011 (the "Prospectus") filed with the British Columbia, Alberta and Ontario Securities Commissions. Under the Offering, the Company issued 3,000,000 common shares of the Company (the "Shares") at a price of $0.20 per Share. Canaccord Genuity Corp. (the "Agent") acted as agent for the Offering.

In consideration for acting as agent, the Agent received a commission equal to 10% of the gross proceeds of the Offering paid to the Agent in 300,000 Shares ("Agent's Shares") at a deemed price of $0.20 per Agent's Share , agent's warrants ("Agent's Warrants") to purchase up to 300,000 Shares (the "Agent's Warrant Shares") at a price of $0.20 per Agent's Warrant Share for a period of 24 months after closing of the Offering , and a corporate finance fee comprised of $45,000 payable in cash and 50,000 Shares ("Corporate Finance Shares") at a deemed price of $0.20 per Corporate Finance Share. As at December 31, 2010, $15,000 was paid to the Agent as a deposit for the corporate finance fees. The deposit amount was recorded as deferred financing cost as at December 31, 2010 and has been charged to share capital after the completion of the IPO on August 15, 2011.

vii. On August 17, 2011, the Company issued the Optionor 100,000 common shares of the Company at a value of $0.20 per share, for a total value of $20,000, pursuant to the South Baird Option Agreement (Note 3).

C. Share purchase option compensation plan

The Company has adopted a Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the common shares on the grant date. Options granted under the Plan are determined by, and at the discretion of, the Board of Directors.

The continuity of stock options for the period ended September 30, 2011 is as follows:

	September 30, 2011		December 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	-	-	-	-
Granted	830,000	$0.21	-	-
Expired	-	-	-	-
Cancelled	-	-	-	-
Options outstanding, end of period	830,000	$0.21	-	-
Options exercisable, end of period	830,000	$0.21	-	-

On August 15, 2011, the Company granted 600,000 stock options to officers and directors of the Company whereby the option holders can purchase up to 600,000 shares at a price of $0.20 per share. The options are vested immediately and are exercisable until August 15, 2021.

(Expressed in Canadian Dollars, unless stated otherwise)

4. CAPITAL AND RESERVES (CONT'D…)

C. Share purchase option compensation plan

On September 1, 2011, the Company granted 230,000 stock options to a consulting firm whereby the option holder can purchase up to 230,000 shares at a price of $0.25 per share. The options are vested immediately and are exercisable until September 1, 2016.

The weighted average fair value of the share options awarded, estimated using the Black-Scholes option pricing model, was $0.16 per option, with a total fair value of $132,076. The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following weighted average assumptions:

	2011	2010
Share price	$0.21	-
Exercise price	$0.21	-
Risk-free interest rate	1.17%	-
Dividend yield	-	-
Expected volatility	100.00%	-
Expected option life	5 years	-

The Black-Scholes option pricing model was developed for use in estimating the fair value of share options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rates which are based upon the average volatility rates of other companies in the same industry. Changes in the underlying assumptions can materially affect the fair value estimates.

D. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	September 30, 2011		December 31, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of period	-	-	-	-
Granted	300,000	$0.20	-	-
Expired	-	-	-	-
Cancelled	-	-	-	-
Warrants outstanding, end of period	300,000	$0.20	-	-
Warrants exercisable, end of period	300,000	$0.20	-	-

On August 15, 2011, the Company has completed its Offering and issued 300,000 Agent Warrants to the Agent to purchase up to 300,000 Shares at a price of $0.20 per Agent's Warrant Share for a period of 24 months. The Agent Warrants were valued at fair value of $31,520. The fair value of these Agent Warrants was $0.10 per unit where the market price at the date of grant is $0.20 and the fair value of each Agent Warrant granted is calculated using the Black-Scholes option pricing model assuming a risk-free interest of 1.01%, expected volatility of 100%, expected dividend yield of Nil, and expected life of two years.

(Expressed in Canadian Dollars, unless stated otherwise)

4. CAPITAL AND RESERVES (CONT'D…)

E. Escrow shares

As at September 30, 2011, the Company had 2,624,850 seed common shares held in escrow (December 31, 2010 – Nil). Under the terms of the Company's escrow agreement, the remaining screwed shares will be released as follows:

February 2012	437,475
August 2012	437,475
February 2013	437,475
August 2013	437,475
February 2014	437,475
August 2014	437,475
	2,624,850

5. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the period presented is based on the following data:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	$	$	$	$
Net Loss	(168,308)	(14)	(246,545)	(14)
Weighted average number of common shares outstanding	9,797,826	93,751	8,655,586	93,751
Loss per share, basic and diluted	$0.02	$0.00	$0.03	$0.00

6. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. 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. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(Expressed in Canadian Dollars, unless stated otherwise)

7. RELATED PARTY TRANSACTIONS

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:

		Three Months Ended September 30		Nine Months Ended September 30	
Services provided by:	Notes	2011	2010	2011	2010
Baron Global Financial Canada Ltd.	(a)	$16,655	-	$16,655	-
Compensation benefits to key management	(b)	$132,076	-	$132,076	-

(a) On September 1, 2011, the Company entered into an advisory agreement with Baron Global Financial Canada Ltd. ("Baron") to provide accounting and administrative services. The term of agreement is 12 months. The CEO and director of the Company is also the managing director of Baron. For the period ended September 30, 2011, the Company has accrued consulting fees of $15,000 (September 30, 2010 – Nil) and accrued geological consulting fees of $1,655 (September 30, 2010 – Nil) to Baron.

(b) Compensation benefits to key management personnel consists of share based payments made during the period. On August 15, 2011, the Company granted 600,000 stock options to the officers and directors of the Company. Each option will entitle the purchase of one common share of the Company at market price of $0.20 for a period of ten years from the date of issuance. On September 1, 2011, the Company granted 230,000 stock options to Baron. Baron can purchase up to 230,000 shares at a price of $0.25 per share. The options are vested immediately and are exercisable until September 1, 2016.

Related party payables:

	September 30, 2011	December 31, 2010
Baron Global Financial Canada Ltd.	$19,655	-

8. SUPPLEMENTARY CASH FLOWS

Non-cash operating and cash and financing activities include:

		Three Months Ended September 30		Nine Months Ended September 30	
		2011	2010	2011	2010
Share-based payments	$	132,076	-	132,076	-
Fair value of IPO agent's warrants		31,520	-	31,520	-
Fair value of IPO agent's shares		70,000	-	70,000	-
Fair value of shares issued for mineral property		20,000	-	20,000	-

(Expressed in Canadian Dollars, unless stated otherwise)

9. FINANCIAL INSTRUMENTS

Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

	Level 1	Level 2	Level 3	Balance, December 31, 2010
Cash	778,913	-	-	360,732
Accounts payables	24,035	-	-	7,500

Credit risk

The Company's limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure (Note 6).

September 30, 2011	Less than 3 months	3 – 12 months	1 – 5 years	Longer than 5 years	Total
	$	$	$	$	$
Cash	778,931	-	-	-	778,913
Payables	23,968	67	-	-	24,035
December 31, 2010					
Cash	360,732	-	-	-	360,732
Payables	7,500	-	-	-	7,500

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks and GIC carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

The policies to manage interest rate risk have been followed by the Company during the prior year and are considered to be effective.

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

10. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Initial elections upon IFRS adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption options

Share-based payments – IFRS 2 *Share-based payments* encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had vested by the transition date.

IFRS Mandatory exceptions

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows.

The accounting policies in Note 2 have been applied as follows:

- in preparing the condensed interim financial statements for the nine months ended September 30, 2011;
- the comparative information from the date of incorporation, September 14, 2010;
- the statement of financial position as at December 31, 2010; and
- the opening IFRS statement of financial position on the date of incorporation , September 14, 2010.

In preparing the opening IFRS statements of financial position, statements of comprehensive loss and changes in equity for the nine months ended September 30, 2011 and the financial statements for the period ended December 31, 2010, there were no effect to the amounts reported previously in financial statements prepared in accordance with Canadian GAAP.