FAR RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

SEPTEMBER 30, 2011

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated financial statements for the period ended September 30, 2011.

FAR RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(Expressed in Canadian Dollars)
AS AT

	September 30, 2011	March 31, 2011 (Note 11)	April 1, 2010 (Note 11)
ASSETS			
Current assets			
Cash	$ 194,108	$ 52,768	$ 38,854
HST receivable	8,493	-	-
Prepaid expenses	336	-	-
Total current assets	202,937	52,768	38,854
Non-current assets			
Deferred financing costs (Note 12)	35,000	20,000	-
Mineral property (Note 4)	47,473	46,973	28,260
Total non-current assets	82,473	66,973	28,260
Total assets	$ 285,410	$ 119,741	$ 67,114
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities (Note 5)	$ 108,067	$ 81,291	$ 20,578
Shareholders' equity			
Contributed surplus (Note 6)	335,685	196,000	196,000
Share capital (Note 6)	640,000	385,000	325,000
Subscriptions received (Note 6)	-	5,000	-
Deficit	(798,342)	(547,550)	(474,464)
Total shareholders' equity	177,343	38,450	46,536
Total liabilities and shareholders' equity	$ 285,410	$ 119,741	$ 67,114

Nature and continuance of operations (Note 1)
Basis of presentation (Note 2)
Subsequent event (Note 12)

Approved and authorized by the Board on November 28, 2011:

(signed) ***"Leon F. Anderson"*** Director
Leon F. Anderson

(signed) ***"Keith C. Anderson"*** Director
Keith C. Anderson

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

FAR RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(Expressed in Canadian Dollars)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Six Months Ended September 30, 2011	Six Months Ended September 30, 2010
EXPENSES				
Consulting	$ 9,000	$ -	$ 18,000	$ -
Management fees (Note 7)	13,500	5,000	33,000	12,500
Office	12,029	21	12,056	41
Professional fees (Note 7)	42,051	-	48,051	-
Stock-based compensation	139,685	-	139,685	-
Comprehensive loss for the period	$ (216,265)	$ (5,021)	(250,792)	(12,541)
Basic and diluted loss per common share	$ (0.02)	$ (0.00)	$ (0.02)	$ (0.00)
Weighted average number of common shares outstanding	13,095,218	6,880,001	12,919,345	6,880,001

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

FAR RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
(Expressed in Canadian Dollars)
FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (250,792)	$ (12,541)
Items not involving cash:		
Stock-based compensation	139,685	-
Changes in non-cash working capital items:		
Increase in receivables	(8,493)	-
Increase in prepaid expenses	(336)	-
Increase in accounts payable and accrued liabilities	26,776	-
Net cash used in operating activities	(93,160)	(12,541)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred exploration costs	(500)	(500)
Net cash used in investing activities	(500)	(500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares for cash	250,000	-
Deferred financing costs	(15,000)	-
Net cash provided by financing activities	235,000	-
Change in cash and cash equivalents for the period	141,340	(13,041)
Cash and cash equivalents, beginning of period	52,768	38,854
Cash and cash equivalents, end of period	$ 194,108	$ 25,813
Cash and cash equivalents consist of:		
Cash on hand	$ 194,108	$ 25,813
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for taxes	$ -	$ -

Supplemental disclosures with respect to cash flows (Note 8)

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

FAR RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(Expressed in Canadian Dollars)

	Capital Stock					
	Shares	Amount	Subscriptions Received	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 1, 2010	6,880,001	$ 325,000	$ -	$ 196,000	$ (474,464)	$ 46,536
Loss and comprehensive loss	-	-	-	-	(12,541)	(12,541)
Balance, September 30, 2010	6,880,001	$ 325,000	$ -	$ 196,000	$ (487,005)	$ 39,995
Balance, April 1, 2011	8,080,001	$ 385,000	$ 5,000	$ 196,000	$ (547,550)	$ 38,450
Shares issued	5,000,000	250,000	(5,000)	-	-	245,000
Warrants exercised	100,000	5,000	-	-	-	5,000
Share-based compensation	-	-	-	139,685	-	139,685
Loss and comprehensive loss	-	-	-	-	(250,792)	(250,792)
Balance, September 30, 2011	13,180,001	$ 640,000	$ -	$ 335,685	$ (798,342)	$ 177,343

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Far Resources Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia. The Company's head office is located at Suite 2255 William Street, Vancouver, BC, V5L 2S5. The Company's registered and records office is located at Suite 650 – 1188 West Georgia Street, Vancouver, BC, V6E 4A2.

The Company is a mineral exploration company focused on acquiring, exploring and developing resource properties.

These condensed interim financial statements are authorized for use by the board of directors on November 28, 2011.

Going concern of operations

These condensed interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2011 the Company has had significant losses. In addition, the Company has not generated significant revenues from operations. The Company has financed its operations primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PREPARATION

These condensed interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") *34, Interim Financial Reporting.*

The condensed interim financial statements are presented in Canadian dollars, which is the functional currency of the Company, unless otherwise noted.

These are the Company's second IFRS condensed interim financial statements for part of the period covered by the first IFRS annual financial statements to be presented in accordance with IFRS for the year ended March 31, 2012. Previously the Company prepared its annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They have also been applied in preparing an opening IFRS balance sheet at April 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS1"). The impact of the transition from Canadian to IFRS is explained in Note 12.

2. BASIS OF PREPARATION (cont'd…)

The 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, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments 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 period. Actual results could differ from these estimates.

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

i) the carrying value and the recoverability of exploration and evaluation assets; and
ii) the deferred income tax asset allowance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are expected to be adopted for the year ending March 31, 2012 and have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the opening IFRS balance sheet at April 1, 2010 for purposes of the transition to IFRS, unless otherwise indicated.

Cash and cash equivalents

Cash is comprised of cash on hand and cash held interest. Cash equivalents are short-term, highly liquid holdings that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Receivables

Receivables are recorded at face value less any provisions for uncollectible amounts considered necessary.

Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

Mineral properties – exploration and evaluation assets

Pre-exploration costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties – exploration and evaluation assets (cont'd…)

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Impairment of tangible and intangible assets

At the end of each reporting date, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in statement of comprehensive loss for the period. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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, but to an amount that does not 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. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial Assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

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

Loans and receivables ("LAR") - Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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

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

The Company classified its cash and cash equivalents as FVTPL.

Financial liabilities

Financial liabilities are classified in one of two categories, based on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

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

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

The Company classified its financial liabilities which consisted of accounts payable, accrued liabilities and asset retirement obligations as other financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Impairment

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

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that do not affect either accounting or taxable loss, or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the current and prior period this calculation proved to be anti-dilutive.

Loss per share is calculated using the weighted average number of common shares outstanding during the year.

Stock-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation (cont'd…)

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-base compensation is transferred to accumulated losses (deficit). The corporation estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

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

Share issue costs

Share issue costs are deferred and charged directly to share capital on completion of the related financing. If the financing is not completed share issue costs are charged to operations.

New standards not yet adopted

IFRS 12, *Disclosure of Interests in Other Entities*, effective for the Company`s annual reporting period beginning May 1, 2013. This new standard provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and consolidated structured entities.

IFRS 13, *Fair Value Measurement*, effective for the Company`s annual reporting period beginning May 1, 2013. This standard defines fair value and sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The Company is currently assessing the impact that these standards will have on the Company`s financial statements.

In November 2009, the IASB published IFRS 9, "Financial Instruments, "which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entitles would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on May 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact the Company upon implementation of the issued standard.

(Expressed in Canadian Dollars)

4. MINERAL PROPERTY

The following exploration expenses were incurred on the mineral property:

		Tchentlo Lake Project
Activities during the periods		
Balance, April 1, 2010	$	28,260
Additions:		
Consulting		18,213
Maintenance		500
Balance, March 31, 2011		46,973
Additions:		
Maintenance		500
Balance, September 30, 2011	$	47,473
Total carrying amounts		
Acquisition costs	$	28,260
Consulting		18,213
Maintenance		1,000
Balance, September 30, 2011	$	47,473

During the period from incorporation to September 30, 2011, the Company staked various claims in the Tchentlo Lake Property located approximately 100 kilometres northwest of Fort St. James, British Columbia. The Company holds a 100% interest in the Tchentlo Lake Property comprised of six mineral tenures in two separate claim blocks.

The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

5. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Payables and accrued liabilities for the Company are broken down as follows:

		September 30, 2011		March 31, 2011		April 1, 2010
Trade payables	$	39,989	$	46,291	$	20,578
Accrued liabilities		68,078		35,000		-
Total	$	108,067	$	81,291	$	20,578

(Expressed in Canadian Dollars)

6. CAPITAL STOCK AND RESERVES

a) Authorized share capital:

As at September 30, 2011, the authorized share capital of the Company was:
Unlimited number of common shares without par value;
All issued shares are fully paid.

b) Issued share capital:

During the period ended September 30, 2011, the Company:

i) issued 5,000,000 units at $0.05 for proceeds of $250,000. Each unit consists of one common share and one non-transferable common share purchase warrant which entitles the holder to purchase one common share on or before June 30, 2012 at a price of $0.15.

ii) issued 100,000 shares for warrants exercised.

As at September 30, 2011, 6,500,000 common shares included in share capital are held in escrow. The shares subject to escrow will be released as follows: 10% upon the issuance of notice of listing of the common shares for trading by the Canadian National Stock Exchange ("CNSX"), and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months.

During the year ended March 31, 2011, the Company issued 1,200,000 units at $0.05 per unit for proceeds of $60,000. Each unit consists of one common share and one non-transferable common share purchase warrant which entitles the holder to purchase one common share on or before June 30, 2012 at a price of $0.15.

c) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, April 1, 2010 and March 31, 2011	1,200,000	$	0.15
Granted	5,000,000		0.15
Exercised	(100,000)		0.05
Outstanding, September 30, 2011	6,100,000	$	0.15

(Expressed in Canadian Dollars)

6. CAPITAL STOCK AND RESERVES (cont'd…)

As at September 30, 2011, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
6,100,000	$ 0.15	June 30, 2012

d) Stock options

The Company follows the policies of the CNSX under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of ten years.

	Number of Options	Weighted Average Exercise Price
Balance, April 1, 2010 and March 31, 2011	-	$ -
Granted	1,100,000	0.15
Balance, September 30, 2011, expiring November 30, 2016	1,100,000	$ 0.15
Number of options currently exercisable	1,100,000	$ 0.15
Weighted average contractual remaining life (years)		4.81
Weighted average value of options granted during the period		0.13

The following assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	September 30, 2011	September 30, 2010
Risk-free interest rate	2.33%	-
Expected life of options	5 years	-
Annualized volatility	125%	-
Dividends	-	-

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

Related party transactions are as follows:

Six months ended September 30,	Nature of transaction		2011		2010
A director of the Company	Management fee	$	12,000	$	12,500
Chief Executive Officer	Management fee		21,000		-
Chief Financial Officer	Accounting		6,000		-
		$	39,000	$	12,500

(1) the Chief Financial Officer and a director of the Company, is a partner of Davidson & Company LLP.

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

The liabilities of the Company include the following amounts due to related parties:

		September 30, 2011		March 31, 2011		April 1, 2010
Due to Davidson & Company LLP *	$	37,776	$	15,000	$	-
Due to a director of the Company *		48,078		38,078		20,578
	$	85,854	$	53,078	$	20,578

* In accounts payable

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOW

During the period ended September 30, 2011, significant non-cash transactions included $8,213 (2010 - $Nil) of resource property costs in accounts payable.

9. SEGMENTED INFORMATION

The Company operates in one industry segment, being exploration and development of mineral properties in British Columbia.

10. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Company’s objective when managing capital is to safeguard the entity’s ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. share capital and deficit).

The Company sets the amount of capital in proportion to risk. 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 common shares through private placements. The Company is not exposed to any externally imposed capital requirements.

(Expressed in Canadian Dollars)

10. CAPITAL AND FINANCIAL RISK MANAGEMENT (cont'd…)

Capital management (cont'd…)

The Company's overall strategy remains unchanged from 2011.

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.

The carrying value of cash and cash equivalents receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	September 30, 2011		
Assets	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 194,108	$ -	$ -

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major Canadian financial institutions.

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 September 30, 2011, the Company had a cash balance of $194,108 (March 31, 2011 – $52,768; April 1, 2010 - $38,854) to settle current liabilities of $108,067 (March 31, 2011 – $81,291; April 1, 2010 - $20,578). The Company is currently undergoing an IPO to obtain additional working capital to finance its ongoing operations (Note 12).

10. CAPITAL AND FINANCIAL RISK MANAGEMENT (cont'd…)

Fair value (cont'd…)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's cash does not have significant exposure to interest. As of September 30, 2011, March 31, 2011 and April 1, 2010, the Company did not have any investments.

(b) 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. The Company closely monitors commodity prices of oil, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

11. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these are the Company's second condensed interim financial statements for the six month period ended September 30, 2011 covered by the first annual condensed interim financial statements prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied as follows:

- in preparing the condensed consolidated interim financial statements for the six months ended September 30, 2011;
- the comparative information for the six months ended September 30, 2010;
- the statement of financial position as at March 31, 2011; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, April 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the period ended September 30, 2010 and the financial statements for the year ended March 31, 2011, the Company has made no adjustments to amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. There were no differences due to the transition from Canadian GAAP to IFRS that affect the Company's financial statements.

12. SUBSEQUENT EVENT

Subsequent to the period ended September 30, 2011:

i) the Company has filed a prospectus to complete its IPO. The Company has agreed to offer a minimum of 3,000,000 to a maximum 4,000,000 common shares at a price of $0.15 per share for minimum gross proceeds of $450,000 to a maximum of $600,000. Pursuant to an agency agreement with Canaccord Genuity Corp. (the "Agent"), the Company will pay the Agent a commission of 8% of the gross proceeds of the Offering and a corporate finance fee comprised of $15,000 cash and 100,000 common shares. In addition, the Agent will be granted non-transferable agent's warrants entitling the Agent to purchase up to 10% of the aggregate number of common shares sold under the IPO, at the IPO price, for a period of 24 months from the date of closing of the IPO. The Company is also responsible for paying all reasonable out-of-pocket expenses of the Agent including legal costs. The CNSX has conditionally accepted the Company's shares for trading subject to, among other things, completion of the IPO

ii) the Company entered into a debt settlement agreement to settle debt to a director in the aggregate amount of $38,078. The Company has agreed to pay $19,078 in cash, and the remaining $19,000 by the way of issuance of 126,666 common shares at a deemed price of $0.15 per share.