

**FAR RESOURCES LTD.**

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

**SEPTEMBER 30, 2012**

## **UNAUDITED CONDENSED 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 interim financial statements for the period ended September 30, 2012.

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

	Notes	September 30, 2012	March 31, 2012 (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 507,736	\$ 700,515
HST Receivables		34,066	18,719
Prepays		2,756	6,190
<b>Total current assets</b>		<b>544,558</b>	<b>725,424</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	3	172,168	47,473
<b>Total assets</b>		<b>\$ 716,726</b>	<b>\$ 772,897</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	\$ 80,021	\$ 58,491
Deferred premium on flow-through shares	11	21,846	40,000
<b>Total current liabilities</b>		<b>101,867</b>	<b>98,491</b>
<b>Equity</b>			
Capital stock	5	1,285,934	1,228,534
Reserves	6	328,703	358,103
Deficit		(999,778)	(912,231)
<b>Total equity</b>		<b>614,859</b>	<b>674,406</b>
<b>Total liabilities and equity</b>		<b>\$ 716,726</b>	<b>\$ 772,897</b>

**Nature and continuance of operations** (Note 1)

**Commitment** (Note 11)

**Approved and authorized on November 23, 2012 on behalf of the Board:**

<u>“Leon F. Anderson”</u>	Director	<u>“Keith C. Anderson”</u>	Director
<i>Leon F. Anderson</i>		<i>Keith C. Anderson</i>	

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)

	Notes	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Six Months Ended September 30, 2012	Six Months Ended September 30, 2011
<b>EXPENSES</b>					
Consulting		\$ 4,500	\$ 9,000	\$ 9,000	\$ 18,000
Management fees	7	15,000	13,500	27,000	33,000
Office		5,319	12,029	9,471	12,056
Professional fees	7	21,700	42,051	34,240	48,051
Rent		7,500	-	15,000	-
Transfer agent and filing fees		7,827	-	10,990	-
Share-based compensation	7	-	139,685	-	139,685
<b>Loss before income taxes</b>		(61,846)	(216,265)	(105,701)	(250,792)
<b>INCOME TAXES</b>					
Deferred income tax recovery	11	5,555	-	18,154	-
<b>Loss and comprehensive loss for the period</b>		\$ (56,291)	\$ (216,265)	\$ (87,547)	\$ (250,792)
<b>Basic and diluted loss per common share</b>		\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.02)
<b>Weighted average number of common shares outstanding</b>		18,480,580	13,095,218	18,443,825	12,919,345

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,**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (87,547)	\$ (250,792)
Items not involving cash:		
Deferred income tax recovery	(18,154)	-
Share-based compensation	-	139,685
Changes in non-cash working capital items:		
Increase in receivables	(15,347)	(8,493)
Decrease (increase) in prepaid expenses	3,434	(336)
Increase in accounts payable and accrued liabilities	21,530	26,776
Net cash flows used in operating activities	<u>(96,084)</u>	<u>(93,160)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of exploration and evaluation assets	(15,000)	-
Exploration and evaluation expenditures	(81,695)	(500)
Net cash flows used in investing activities	<u>(96,695)</u>	<u>(500)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares	-	250,000
Deferred financing costs	-	(15,000)
Net cash flows provided by financing activities	<u>-</u>	<u>235,000</u>
<b>Change in cash during the period</b>	<b>(192,779)</b>	<b>141,340</b>
<b>Cash, beginning of period</b>	<b>700,515</b>	<b>52,768</b>
<b>Cash, end of period</b>	<b>\$ 507,736</b>	<b>\$ 194,108</b>
<b>Cash paid during the period for interest</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid during the period for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

**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)

	Notes	Capital Stock		Subscriptions Receivable (Received)	Reserves	Deficit	Total Equity
		Number of Shares	Amount				
<b>Balance at April 1, 2011</b>		8,080,001	\$ 385,000	\$ 5,000	\$ 196,000	\$ (547,550)	\$ 38,450
Shares issued for:							
Private placement	5	5,000,000	250,000	(5,000)	-	-	245,000
Warrants exercised	5	100,000	5,000	-	-	-	5,000
Share-based compensation	6	-	-	-	139,685	-	139,685
Loss and comprehensive loss		-	-	-	-	(250,792)	(250,792)
<b>Balance at September 30, 2011</b>		13,180,001	\$ 640,000	\$ -	\$ 335,685	\$ (798,342)	\$ 177,343
<b>Balance at April 1, 2012</b>		18,406,667	\$ 1,228,534	\$ -	\$ 358,103	\$ (912,231)	\$ 674,406
Shares issued for:							
Acquisition of exploration and evaluation assets	3	200,000	28,000	-	-	-	28,000
Release of founder shares from escrow	5	-	29,400	-	(29,400)	-	-
Loss and comprehensive loss		-	-	-	-	(87,547)	(87,547)
<b>Balance at September 30, 2012</b>		18,606,667	\$ 1,285,934	\$ -	\$ 328,703	\$ (999,778)	\$ 614,859

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 listed on the CNSX exchange under the trading symbol "FAT".

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

### Going concern of operations

These 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, 2012 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 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**

### **(a) Statement of Compliance**

These condensed interim financial statements have been prepared in accordance with IAS 34, International Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, they do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") for complete financial statements for year end reporting purposes. Results for the period ended September 30, 2012, are not necessarily indicative of future results.

The accounting policies applied by the Company in these condensed interim financial statements other than as noted in Note 2 (b) are the same as those applied by the Company in its most recent annual financial statements as at and for the year ended March 31, 2012 as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **(b) New Accounting Standards and Amendments to Existing Standards**

#### New and amended standards adopted by the Company

Effective May 1, 2012, the Company adopted the following standards:

- Amendments to IFRS 7, *Financial Instruments: Disclosures* that were issued by the IASB. The application of these amendments has not had any material impact on current and prior year disclosures but may affect disclosures for future transactions or arrangements.
- Amendments to IAS 12, *Income Taxes*, which removed some subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduced a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. There was no impact to the Company arising from the adoption of this standard.

**2. BASIS OF PREPARATION (cont'd...)**

**New Accounting Standards and Amendments to Existing Standards (cont'd...)**

New or revised standards and amendments to existing standards not yet effective

The Company has not applied the following new or revised standards and amendments that have been issued but are not yet effective at September 30, 2012:

- (ii) Effective for annual periods beginning on or after July 1, 2012
  - Amendments to IAS 1, *Presentation of Financial Statements*
- (iii) Effective for annual periods beginning on or after January 1, 2013
  - New standard IFRS 10, *Consolidated Financial Statements*
  - New standard IFRS 11, *Joint Arrangements*
  - New standard IFRS 12, *Disclosure of Interests in Other Entities*
  - New standard IFRS 13, *Fair Value Measurement*
  - Reissued IAS 27, *Separate Financial Statements*
  - Reissued IAS 28, *Investments in Associates and Joint Ventures*
- (iv) Effective for annual periods beginning on or after January 1, 2015
  - New standard IFRS 9, *Financial Instruments, Classification and Measurement*

The Company is currently assessing the impact that these standards will have on the Company's financial statements.

**3. EXPLORATION AND EVALUATION ASSETS**

The following exploration expenses were incurred on the exploration and evaluation assets:

	Tchentlo Lake	Silver Switchback	Total
<b>Acquisition costs</b>			
Balance, March 31, 2012	\$ 28,260	\$ -	\$ 28,260
Additions – cash	-	15,000	15,000
Additions – shares	-	28,000	28,000
Balance, September 30, 2012	<u>28,260</u>	<u>43,000</u>	<u>71,260</u>
<b>Exploration costs</b>			
Balance, March 31, 2012	19,213	-	19,213
Geological and consulting	<u>56,695</u>	<u>25,000</u>	<u>81,695</u>
Balance, September 30, 2012	<u>75,908</u>	<u>25,000</u>	<u>100,908</u>
Total balance, September 30, 2012	<u>\$ 104,168</u>	<u>\$ 68,000</u>	<u>\$ 172,168</u>



**3. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Tchentlo Lake**

During the period from incorporation to September 30, 2012, the Company staked various claims in the Tchentlo Lake Property located approximately 100 kilometers 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 its mineral property and, to the best of its knowledge, title to its property is in good standing.

**Silver Switchback**

During the period ended September 30, 2012, the Company entered into an Option Agreement with an individual and a private company ("the Optionors") to purchase a 100% interest, subject to a 3% net smelter return royalty in the Silver Switchback property located southwest of Smithers in central British Columbia (the "Silver Switchback Property").

Pursuant to the agreement, the Company is required to:

- i) pay cash of \$255,000 over a period of four years, of which \$15,000 (paid) is payable upfront;
- ii) issue 1,000,000 common shares of the Company over a period of four years, of which 200,000 shares (issued) is payable upfront; and
- iii) incur exploration expenses of \$200,000 over a period of two years, of which \$100,000 (\$25,000 incurred) must be incurred on or before December 31, 2012.

The Company is also responsible for keeping the Silver Switchback Property in good standing and, if terminating the option, will return the Silver Switchback Property to the Optionors with a minimum of 12 months assessment work. The Optionors will retain a 3.0% net smelter return royalty, of which the Company may reduce to 1% at anytime for \$2,000,000.

**4. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

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

	September 30, 2012	March 31, 2012
Trade payables	\$ 7,034	\$ 7,671
Accrued liabilities	7,000	15,000
Due to related parties (Note 7)	<u>65,987</u>	<u>35,820</u>
<b>Total</b>	<b>\$ 80,021</b>	<b>\$ 58,491</b>

**5. CAPITAL STOCK**

a) Authorized capital stock:

As at September 30, 2012, the authorized capital stock of the Company was: unlimited number of common shares without par value.

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**5. CAPITAL STOCK (cont'd...)**

b) Issued capital stock:

During the period ended September 30, 2012, the Company issued 200,000 shares at a fair value of \$28,000 as part of the purchase price of Silver Switchback Property (Note 3).

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 (expired during the period – Note 6 b)).
- ii) issued 100,000 shares for warrants exercised

As at September 30, 2012, 4,875,000 (March 31, 2012 – 5,850,000) common shares included in capital stock are held in escrow. The shares subject to escrow will be released as follows:

- i) 10% (released) upon the issuance of notice of listing of the common shares for trading by the CNSX; and
- ii) the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months (1 tranche released).

During the period ended September 30, 2012, 375,000 common shares had been released from escrow (2011 – Nil) with a fair value of \$29,400 (2011 - \$Nil).

**6. RESERVES**

a) 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.

A continuity of share purchase options for the period ended September 30, 2012 is as follows:

Expiry Date	Exercise Price	March 31, 2012	Granted	Expired / Forfeited	September 30, 2012	Exercisable
November 30, 2016	0.15	1,100,000	-	-	1,100,000	1,100,000
<b>Total</b>		1,100,000	-	-	1,100,000	1,100,000
<b>Weighted average exercise price</b>		\$ 0.15	\$ -	\$ -	\$ 0.15	\$ 0.15
<b>Weighted average remaining contractual life (years)</b>					4.17	

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**SEPTEMBER 30, 2012**

**6. RESERVES (cont'd...)**

a) Stock options (cont'd...)

**Share-based compensation**

During the period ended September 30, 2012, the Company granted Nil (2011 - 1,100,000) stock options with a fair value calculated using the Black-Scholes options pricing model of \$Nil (2011 - \$139,685) of which \$Nil (2011 - \$139,685) was recognized as share-based compensation expense for options vested during the current period.

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in underlying assumptions can materially affect the fair value estimates. The following weighted average assumptions were used for the Black-Scholes valuation of options granted during the period:

	September 30, 2012	September 30, 2011
Risk-free interest rate	-	2.23 %
Expected life of options	-	5 years
Annualized volatility	-	125 %
Dividends	-	0.00%
Forfeiture rate	-	0.00%

b) Warrants

A continuity of warrants for the period ended September 30, 2012 is as follows:

Expiry Date	Exercise Price	March 31, 2012	Granted	Expired	September 30, 2012	Exercisable
June 30, 2012	0.15	6,100,000	-	(6,100,000)	-	-
<b>Total</b>		<b>6,100,000</b>	<b>-</b>	<b>(6,100,000)</b>	<b>-</b>	<b>-</b>
Weighted average exercise price		\$ 0.15	\$ -	\$ (0.15)	\$ -	\$ -

c) Agent's warrants

A continuity of agent's warrants for the period ended September 30, 2012 is as follows:

Expiry Date	Exercise Price	March 31, 2012	Granted	Expired	September 30, 2012	Exercisable
December 29, 2012	0.18	70,000	-	-	70,000	70,000
December 8, 2013	0.15	400,000	-	-	400,000	400,000
<b>Total</b>		<b>470,000</b>	<b>-</b>	<b>-</b>	<b>470,000</b>	<b>470,000</b>
Weighted average exercise price		\$ 0.15	\$ -	\$ -	\$ 0.15	\$ 0.15

**FAR RESOURCES LTD.**  
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**7. RELATED PARTY TRANSACTIONS**

Transactions with related parties and key management personnel are as follows:

	Nature of transactions	Three month period ended September 30, 2012	Three month period ended September 30, 2011
<b><u>Key management personnel:</u></b>			
Director	Management	\$ 6,000	\$ 12,000
Director	Management	3,000	-
The CEO	Management	18,000	21,000
		<u>-</u>	<u>139,685</u>
		\$ 27,000	\$ 172,685
<b><u>Related party:</u></b>			
A firm of which the CFO is a partner	Professional	\$ 30,000	\$ 6,000

The amounts due to related parties included in accounts payable and accrued liabilities are as follows:

	As at September 30, 2012	As at March 31, 2012
Due to a firm of which the CFO is a partner	\$ 43,807	\$ 13,640
Due to directors of the Company	<u>22,180</u>	<u>22,180</u>
	\$ 65,987	\$ 35,820

**8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOW**

During the period ended September 30, 2012, significant non-cash transactions included:

- a) \$3,213 of exploration and evaluation expenditures in accounts payable;
- b) fair value of \$29,400 reclassified from reserves to capital stock as 375,000 founder shares were released from escrow; and
- c) issuance of 200,000 shares with a fair value of \$28,000 for acquisition of exploration and evaluation assets.

During the period ended September 30, 2011, significant non-cash transactions included \$8,213 of exploration and evaluation expenditures 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. capital stock, reserves 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. The Company's overall strategy remains unchanged during the current fiscal year.

### **Fair value**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

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

### **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, 2012, the Company had a cash balance of \$507,736 (March 31, 2012 – \$700,515) to settle current liabilities of \$101,867 (March 31, 2012 – \$98,491). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

#### *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 balance and no interest-bearing debt. The Company's cash does not have significant exposure to interest. As of September 30, 2012 and March 31, 2012 the Company did not have any investments.

**10. CAPITAL AND FINANCIAL RISK MANAGEMENT**

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at September 30, 2012, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

c) 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. COMMITMENT**

In connection with the issuance of flow-through common shares in December 2011, the Company has a commitment to incur \$180,000 of qualifying flow-through expenditures by December 2012. As at September 30, 2012 the Company had approximately \$98,305 remaining on its commitment.

The following is a continuity schedule of the liability portion of the flow-through shares issuances:

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Flow-through shares	Issued on 29-Dec-11
Balance at March 31, 2012	\$ 40,000
Settlement of flow-through share liability on incurring expenditures	<u>(18,154)</u>
Balance at September 30, 2012	<u>\$ 21,846</u>

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