

TARTISAN RESOURCES CORP.  
(An Exploration Stage Enterprise)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars, unless otherwise stated)  
(UNAUDITED)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

**Notice of no auditor review of the condensed interim consolidated financial statements**

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

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(UNAUDITED)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

I N D E X

	PAGE
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	1
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS	2
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	3
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS	4
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	5 - 19

TARTISAN RESOURCES CORP.  
(An Exploration Stage Enterprise)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(Expressed in Canadian dollars)

	September 30, 2012 <u>(Unaudited)</u>	March 31, 2012 <u>(Audited)</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,489	\$ 2,811
Accounts receivable (note 4)	18,924	10,227
Prepaid expenses	4,494	679
	<u>24,907</u>	<u>13,717</u>
MINERAL PROPERTIES (note 7)	128,694	105,679
MACHINERY AND EQUIPMENT (note 5)	7,760	7,801
	<u>\$ 161,361</u>	<u>\$ 127,197</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (note 9)	\$ 180,973	\$ 261,032
DUE TO RELATED PARTIES (note 6)	79,703	289,113
LONG-TERM AMOUNTS PAYABLE (note 16)	81,749	-
<b>SHAREHOLDERS' DEFICIENCY</b>		
SHARE CAPITAL (note 8 (a))	3,054,905	2,486,196
RESERVE FOR WARRANTS (note 8 (b))	221,236	161,785
FOREIGN CURRENCY TRANSLATION RESERVE	( 131,050)	( 85,506)
DEFICIT	( 3,326,155)	( 2,985,423)
	<u>( 181,064)</u>	<u>( 422,948)</u>
	<u>\$ 161,361</u>	<u>\$ 127,197</u>

NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS (note 1)  
EVENTS AFTER THE REPORTING DATE (note 18)

Approved by the Board:

(Signed) "Paul Ankcorn", Director

(Signed) "D. Mark Appleby", Director

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

TARTISAN RESOURCES CORP.  
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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
(Expressed in Canadian dollars)  
(UNAUDITED)

	<u>Three months ended</u> <u>September 30</u>		<u>Six months ended</u> <u>September 30</u>	
	2012	2011	2012	2011
<b>EXPENSES</b>				
Management and consulting fees (note 9)	\$ 107,500	\$ 70,000	\$ 163,000	\$ 144,500
Depreciation	375	270	750	540
Exploration costs	26,628	29,759	88,014	183,768
Foreign exchange loss (gain)	( 40,468)	7,654	( 37,895)	( 13,555)
Office, general and administration (note 9)	36,662	72,922	50,639	149,089
Interest and bank charges	652	709	2,088	1,628
Professional fees (note 9)	72,822	45,242	75,571	84,591
Salaries and benefits	4,875	6,851	8,663	13,323
Rent	<u>2,770</u>	<u>839</u>	<u>4,902</u>	<u>1,653</u>
Net loss for the periods	211,816	234,246	355,732	565,537
<b>Other comprehensive loss (income)</b>				
Exchange differences on translation of foreign operations	<u>44,765</u>	<u>( 17,363)</u>	<u>45,544</u>	<u>5,990</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIODS</b>	<u>\$ 256,581</u>	<u>\$ 216,883</u>	<u>\$ 401,276</u>	<u>\$ 571,527</u>
<b>Loss per common share (note 19)</b>				
Basic	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>
Diluted	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>
<b>Weighted-average number of common shares outstanding</b>				
Basic	<u>26,637,192</u>	<u>24,952,749</u>	<u>26,201,100</u>	<u>24,617,159</u>
Diluted	<u>26,637,192</u>	<u>24,952,749</u>	<u>26,201,100</u>	<u>24,617,159</u>

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

TARTISAN RESOURCES CORP.  
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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Expressed in Canadian dollars)  
(UNAUDITED)

	Share capital		Shares to be issued	Warrants to be issued	Reserve for		Accumulated deficit	Total
	Shares	Amount			Warrants	Currency translation		
Balance, April 1, 2012	25,010,258	\$ 2,486,196	\$ -	\$ -	\$ 161,785	(\$ 85,506)	(\$ 2,985,423)	(\$ 422,948)
Shares issued in private placements	1,395,000	348,760	-	-	-	-	-	348,760
Fair value ascribed to warrants issued in private placements	-	( 57,017)	-	-	57,017	-	-	-
Share issue costs – finders compensation warrants	-	( 2,434)	-	-	2,434	-	-	-
Shares issued on settlement of amounts due to related parties	878,000	219,500	-	-	-	-	-	219,500
Shares issued for consulting services	200,000	50,000	-	-	-	-	-	50,000
Shares issued on settlement of long-term amounts payable	200,000	50,000	-	-	-	-	-	50,000
Share cancellation	( 100,000)	( 15,000)	-	-	-	-	15,000	-
Share issue costs – cash (note 9)	-	( 25,100)	-	-	-	-	-	( 25,100)
Exchange difference on translation of foreign operations	-	-	-	-	-	( 45,544)	-	( 45,544)
Net loss for the period	-	-	-	-	-	-	( 355,732)	( 355,732)
Balance, September 30, 2012	27,583,258	\$ 3,054,905	\$ -	\$ -	\$ 221,236	(\$ 131,050)	(\$ 3,326,155)	(\$ 181,064)
Balance, April 1, 2011 (note 15)	23,982,401	\$ 2,206,505	\$ -	\$ -	\$ 118,493	(\$ 28,612)	(\$ 2,024,036)	\$ 272,350
Shares issued in private placements	827,857	289,750	( 18,572)	-	-	-	-	271,178
Fair value ascribed to warrants issued in private placements	-	( 48,292)	-	( 12,520)	48,292	-	-	( 12,520)
Shares to be issued in private placements	-	-	18,572	-	-	-	-	18,572
Warrants to be issued in private placements	-	-	-	12,520	-	-	-	12,520
Shares issued on exercise of warrants	200,000	50,000	-	-	-	-	-	50,000
Reserve transferred on exercise of warrants	-	5,000	-	-	( 5,000)	-	-	-
Share issue costs – cash (note 9)	-	( 16,767)	-	-	-	-	-	( 16,767)
Exchange difference on translation of foreign operations	-	-	-	-	-	( 5,990)	-	( 5,990)
Net loss for the period	-	-	-	-	-	-	( 565,537)	( 565,537)
Balance, September 30, 2011 (note 15)	25,010,258	\$ 2,486,196	\$ -	\$ -	\$ 161,785	(\$ 34,602)	(\$ 2,589,573)	\$ 23,806

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

TARTISAN RESOURCES CORP.  
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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in Canadian dollars)  
(UNAUDITED)

FOR THE SIX MONTHS ENDED SEPTEMBER 30

	2012	2011
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Net loss for the periods	(\$ 355,732)	(\$565,537)
Add items not affecting cash:		
Consulting fees	50,000	-
Depreciation	750	540
Foreign exchange	( 45,669)	( 13,154)
Net changes in non-cash working capital balances:		
Increase in accounts receivable	( 8,697)	( 3,217)
Decrease (increase) in prepaid expenses	( 3,815)	16,019
Increase in accounts payable and accrued liabilities	<u>51,690</u>	<u>35,094</u>
Cash used in operations	<u>( 311,473)</u>	<u>( 530,255)</u>
<b>CASH USED IN INVESTING ACTIVITIES:</b>		
Purchase of machinery and equipment	( 585)	( 1,707)
Additions to mineral properties	<u>( 23,015)</u>	<u>( 27,169)</u>
Cash used in investing	<u>( 23,600)</u>	<u>( 28,876)</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:</b>		
Issue of common shares	348,760	289,750
Issue of common shares on exercise of warrants	-	50,000
Loans and advances from related parties	132,040	47,000
Repayment of amounts due to related parties	( 121,949)	-
Share issue costs	<u>( 25,100)</u>	<u>( 16,768)</u>
Cash provided by financing	<u>333,751</u>	<u>369,982</u>
NET DECREASE IN CASH POSITION	( 1,322)	(189,149)
CASH POSITION AT BEGINNING OF THE PERIODS	<u>2,811</u>	<u>194,996</u>
CASH POSITION AT END OF THE PERIODS	<u>\$ 1,489</u>	<u>\$ 5,847</u>
<b>Supplemental disclosure of non-cash transactions:</b>		
Fair value ascribed to warrants on private placements	<u>\$ 59,451</u>	<u>\$ 48,292</u>
Reserve for warrants transferred to share capital on exercise of warrants	<u>\$ -</u>	<u>\$ 5,000</u>
Accounts payable and accrued liabilities reclassified to long-term amounts payable	<u>\$ 131,739</u>	<u>\$ -</u>
Shares issued on settlement of amounts due to related parties	<u>\$ 219,500</u>	<u>\$ -</u>
Shares issued on settlement of long-term amounts payable	<u>\$ 50,000</u>	<u>\$ -</u>
Shares cancelled through the period	<u>\$ 15,000</u>	<u>\$ -</u>

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS:

Tartisan Resources Corp. ("Tartisan" or the "Company") was incorporated on March 18, 2008 under the Business Corporations Act (Ontario). The Company's shares are traded on the Canadian National Stock Exchange ("CNSX") under the symbol "TTC". The Company's principle office address is at 8 King Street East, Suite 1005, Toronto, Ontario, Canada, M5C 1B6. The Company is in the business of acquiring, exploring for and developing mineral properties in Perú through its wholly-owned subsidiary, Minera Tartisan Perú S.A.C. ("Minera"), which is incorporated in Perú. Substantially all of the efforts of the Company are devoted to these business activities. To date the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

The Company incurred a net loss of \$355,732 for the six months ended September 30, 2012 (six months ended September 30, 2011 - \$565,537) and has an accumulated deficit of \$3,326,155 as at September 30, 2012 (March 31, 2012- \$2,985,423), and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

These consolidated financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

2. BASIS OF PRESENTATION:

The unaudited condensed interim consolidated financial statements of Tartisan Resources Corp. for the six months ended September 30, 2012 have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting".

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FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

2. BASIS OF PRESENTATION (continued):

These unaudited condensed interim consolidated financial statements follow the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended March 31, 2012. These unaudited interim condensed consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2012.

These condensed interim consolidated financial statements were approved for issue by the board of directors effective November 29, 2012.

**Use of Estimates and Judgement**

The preparation of consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates.

Significant estimates and judgements used in the preparation of these consolidated financial statements include, but are not limited to, the recoverability of mineral properties, management's going concern assessment, warrant valuations, title to mineral property interests, deferred income taxes, the recoverability of accounts receivable, the useful life of machinery and equipment, the amounts recorded for related party transactions, the recording of liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenditures during the reporting period and the determination of functional currency. Actual results could differ from management's best estimates.

3. FUTURE ACCOUNTING CHANGES:

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2011. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised standards and interpretations which are not yet effective for the relevant reporting periods.

- IAS 1 *Presentation of financial statements* was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. This standard is effective for annual periods beginning on or after July 1, 2012.
- IFRS 7 *Financial instrument – disclosure*, was amended to require additional disclosure in respect of risk exposures arising from transferred financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. Section was further amended to provide guideline on the eligibility criteria for offsetting assets and liabilities as a single net amount in the balance sheets. This amendment is effective for annual periods beginning on or after January 1, 2013.



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FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

3. FUTURE ACCOUNTING CHANGES (continued):

- IFRS 9 *Financial instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial instruments – Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value change due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for all annual periods beginning on or after January 1, 2015.
- IFRS 10 *Consolidated financial statements* requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—special purpose entities* and parts of IAS 27 *Consolidated and separate financial statements*. This standard is effective for all annual periods beginning on or after January 1, 2013.
- IFRS 11 *Joint arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities—non-monetary contributions by venturers*. This standard is effective for all annual periods beginning on or after January 1, 2013.
- IFRS 12 – *Disclosure of interests in other entities* was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- IFRS 13 *Fair value measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for all annual periods beginning on or after January 1, 2013.

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(Expressed in Canadian dollars)  
(UNAUDITED)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

3. FUTURE ACCOUNTING CHANGES (continued):

- IAS 32 *Financial instrument: presentation* was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of “currently has a legally enforceable right of set off” was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014.

4. ACCOUNTS RECEIVABLE:

	September 30, 2012	March 31, 2012
Miscellaneous receivable	\$ 558	\$ 1,001
HSTreceivable	18,366	9,226
	<u>\$ 18,924</u>	<u>\$ 10,227</u>

Due to their short-term maturities, the fair value of miscellaneous receivables approximates their carrying value. As of September 30, 2012 and March 31, 2012, none of the Company’s miscellaneous receivables were impaired.

5. MACHINERY AND EQUIPMENT:

	<b>Machinery and Equipment</b>	
<b>Cost</b>		
As at April 1, 2011	\$	8,693
Additions		2,913
Disposals		-
Effect of foreign exchange		787
		As at March 31, 2012
As at March 31, 2012	\$	12,393
Additions		585
Disposals		-
Effect of foreign exchange		263
		As at September 30, 2012
As at September 30, 2012	\$	13,241
<b>Accumulated depreciation</b>		
As at April 1, 2011	\$	3,491
Depreciation expense		1,101
Effect of foreign exchange		-
		As at March 31, 2012
As at March 31, 2012	\$	4,592
Depreciation expense		750
Effect of foreign exchange		139
		As at September 30, 2012
As at September 30, 2012	\$	5,481
<b>Net book value</b>		
As at March 31, 2012	\$	7,801
As at September 30, 2012	\$	7,760

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6. DUE TO RELATED PARTIES:

The amounts were advanced from officers and directors of the Company. The advances are unsecured, interest free and due on September 30, 2013. During the six months ended September 30, 2012, the forgoing related parties waived their right to repayment for another twelve month period. In addition, during the six months ended September 30, 2012, 878,000 common shares were issued at a deemed price of \$0.25 per share aggregating \$219,500 for settlement of amounts due to certain officers and directors of the Company.

7. MINERAL PROPERTIES AND COMMITMENTS:

The Company, through its wholly-owned Peruvian subsidiary, Minera, has a 100% interest in 9 mining concessions and holds an option to acquire a 100% interest in 2 other mining concessions in Perú. The mining concessions cover 6,661 hectares, in aggregate.

Accumulated mineral property costs have been incurred as follows:

Balance, April 1, 2011	\$ 62,224
Acquisition costs	39,762
Amortization of mineral properties	( 10,240)
Effect of foreign exchange	<u>13,933</u>
Balance, March 31, 2012	105,679
Acquisition costs	22,341
Effect of foreign exchange	<u>674</u>
Balance, September 30, 2012	<u>\$ 128,694</u>

VICTORIA PROPERTY

The Victoria Property (the "Property") is located in the department of Ancash, in Perú, covering an aggregate area of 3,660. The Property consists of seven mineral concessions. Two of the concessions are under option (see below) and the remaining five are 100% held.

On July 17, 2009, the Company entered into an Option Agreement to acquire a 100% interest in mining concessions covering approximately 761 hectares in Perú.

In order to acquire a 100% interest in these concessions, the Company must make the following US dollar cash payments:

<u>Date</u>	<u>Amount</u>
As at the date of signature, July 17, 2009 (fulfilled)	\$ 10,000
On August 13, 2010 (fulfilled)	17,100
On February 13, 2011 (fulfilled)	15,000
On August 13, 2011 (fulfilled)	20,000
On February 13, 2012 (fulfilled)	20,000
On August 13, 2012 (fulfilled)	20,000
On February 13, 2013	<u>100,001</u>
	<u>\$ 202,101</u>

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(Expressed in Canadian dollars)  
(UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

7. MINERAL PROPERTIES AND COMMITMENTS (continued):

Under Peruvian law, the concessions acquired from the government remain in good standing as long as the annual registration payments (\$3.00 per hectare) are received by June of each year. One grace year is added in the event of a delinquent payment. In addition, concession holders must reach an annual production of a least US \$100 per hectare in gross sales within six years from January 1<sup>st</sup> of the year following the date the title was granted. If there is no production on the claim within that period, the concession holder must pay a penalty of US \$6 per hectare under the general regime, of US \$1 for small scale miners, and US \$0.50 for artisan miners, during the 7<sup>th</sup> through the 11<sup>th</sup> years following the granting of the concession. From the 12<sup>th</sup> year onwards the penalty is equal to US \$20 per hectare under the general regime, US \$5 per hectare for small scale miners and US \$3 for artisan miners. The concession holder is exempt from the penalty if exploration expenditures incurred during the previous year were ten times the amount of the applicable penalty.

Failure to pay the licence fees or the penalty for two consecutive years will result in the forfeiture of the concession.

The fees applicable to the Company's mineral concessions have been paid through the six months ended September 30, 2012.

Tax and concession payments amount to approximately \$20,000 per annum.

As at September 30, 2012, the Company had the following commitments:

- The Company has a lease for office space in Perú. The lease is month to month. Cash payments total US \$420 per month.
- On September 1, 2012, the Company entered into a premise lease for its principle office. The monthly rental payments amount to \$700 and the lease term is to September 1, 2013.
- During the year ended March 31, 2011, the Company contracted a company to build an access road to the Victoria Property. Pursuant to the agreement, the Company must make aggregate payments of US \$95,000 of which US \$30,000 (paid) was due on signing. The US \$30,000 deposit on signing was included in prepaid expenses and deposits as of March 31, 2011. During the year ended March 31, 2012, the access road was completed and the remaining balance of US \$65,000 was paid. These costs were expensed to exploration during fiscal 2012.
- During the year ended March 31, 2012, the Company contracted a company to perform geophysical work on its Victoria Property for US\$44,870, in aggregate. During 2012, US\$28,134 of the overall balance was paid and expensed to exploration costs in the consolidated statement of comprehensive loss. The remaining balance of US\$16,736 has been included in accounts payable and accrued liabilities as of September 30, 2012.

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(An Exploration Stage Enterprise)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
(UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

8. SHARE CAPITAL:

a) Common shares:

Authorized:

Unlimited number of common shares

See note 18(a) for addition common share information.

b) Warrants:

As of September 30, 2012, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number of Warrants	Exercise price
September 13, 2013	1,225,000	\$0.25
September 13, 2013	1,113,000	\$0.35
March 13, 2014	1,395,000	\$0.40
September 13, 2013	<u>1,406,357</u>	\$0.45
	<u>5,139,357</u>	

A summary of the status of the warrants as of March 31, 2012 and September 30, 2012 and changes during the periods are presented below:

	Number of warrants	Weighted average exercise price
Balance, April 1, 2011	3,116,500	\$ 0.32
Issued pursuant to private placements	827,857	0.45
Exercised	( 200,000)	0.25
Expired	<u>-</u>	<u>-</u>
Balance, March 31, 2012	3,744,357	\$ 0.35
Issued pursuant to private placements	1,395,000	0.40
Exercised	-	-
Expired	<u>-</u>	<u>-</u>
Balance, September 30, 2012	<u>5,139,357</u>	<u>\$ 0.36</u>

TARTISAN RESOURCES CORP.  
(An Exploration Stage Enterprise)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
(UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

8. SHARE CAPITAL (continued):

b) Warrants (continued):

The fair value of warrants is comprised of the following during the year ended March 31, 2012 and the six months ended September 30, 2012:

Balance, April 1, 2011	\$	118,493
Reserve transferred to share capital on exercise of warrants for cash	(	5,000)
Fair value ascribed to warrants issued concurrently with private placements		<u>48,292</u>
 Balance, March 31, 2012	 \$	 161,785
Fair value of Finder's Compensation Warrants		2,434
Fair value ascribed to warrants issued concurrently with private placements		<u>57,017</u>
 Balance, September 30, 2012	 \$	 <u>221,236</u>

The fair value of warrants issued is separately recorded and disclosed from share capital in the year warrants are issued. Warrants that are exercised will be recorded as share capital and warrants that expire unexercised will be recorded as contributed surplus. During the six months ended September 30, 2012, 1,395,000 warrants and 58,400 finder's compensation warrants were issued in connection with certain private placements completed through the period. Their fair values amounted to 57,017 and 2,434 respectively and was calculated using the residual warrant component determined at the time of the most recent prior placement. The fair values of the finder's compensation warrants are measured at the date that the Company receives the service.

Refer to note 18(a) for additional warrant information issued in connection with the unit private placements occurring subsequent to period-end.

c) Agent's and Finder's Compensation Warrants:

As of September 30, 2012, the following Agent's and Finder's Compensation Warrants were outstanding and exercisable:

Expiry Date	Number of Agent's and Finder's Compensation Warrants	Exercise price
September 13, 2013	58,400	\$0.25
September 13, 2013	7,850	\$0.35
	<u>66,250</u>	

TARTISAN RESOURCES CORP.  
(An Exploration Stage Enterprise)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
(UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

8. SHARE CAPITAL (continued):

c) Agent's and Finder's Compensation Warrants (continued):

In March 2011 and June 2012, the Company issued an aggregate of 66,250 agent's and finders compensation warrants which entitles the holder to purchase one unit of securities in the Company (the "Units") at \$0.35 and \$0.25 respectively. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one common share of the Company at exercise prices of \$0.45 and \$0.40 for a period of twelve to eighteen months from September 13, 2012.

d) Stock Option Plan:

On December 21, 2010, the Company's stock option plan (the "Option Plan") was approved by the Board of Directors. Pursuant to the terms of the Option Plan, the Board may designate directors, officers, employees and consultants of the Company eligible to receive options to acquire such numbers of common shares as the Board may determine, each option so granted being for a term specified by the Board up to a maximum of five years from the date of grant. The maximum number of common shares reserved for issuance for options granted under the Option Plan at any time is 10% of the issued and outstanding common shares in the capital of the Company. As at September 30, 2012, the Company has not granted any options under the Option Plan. Refer to note 18(b) for additional information with respect to stock options granted subsequent to the period-end.

9. RELATED PARTY TRANSACTIONS:

The following related party transactions occurred and were reflected in the interim condensed consolidated financial statements during the periods ended September 30, 2012 and 2011 as follows:

	2012	2011
<b>Key management compensation:</b>		
<i>Management and consulting fees expense:</i>		
Consulting fees were charged by a director and Chief Financial Officer for financial management services	\$ 36,000	\$ 35,000
Corporate administrative fees were charged by a Company controlled by the former Chief Executive Officer	\$ 36,000	\$ 35,000
Corporate administrative fees were charged by a company controlled by the Chief Executive Officer	\$ 36,000	\$ 35,000
<b>Other related party transactions:</b>		
<i>Professional fees expense:</i>		
Legal fees were charged by an officer for corporate legal services provided to the Company	\$ -	\$ 37,427

TARTISAN RESOURCES CORP.  
(An Exploration Stage Enterprise)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
(UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

9. RELATED PARTY TRANSACTIONS (continued):

	2012	2011
<b>Other related party transactions (continued):</b>		
<i>Management and consulting fees expense:</i>		
Corporate administrative fees were charged by individuals related to the Chief Executive Officer	\$ -	\$ 13,500
Consulting fees were charged by individuals related to an officer of the Company	\$ 50,000	\$ -
<i>Office, general and administration expenses:</i>		
Occupancy costs were charged by a company with a common director	\$ -	\$ 1,500
<i>Share issue costs:</i>		
Commissions on certain private placements were charged by a company controlled by the Chief Executive Officer of the Company	\$ 3,000	\$ 1,050
Commissions on certain private placements were charged by a director of the Company	\$ 7,500	\$ -

As at September 30, 2012, accounts payable and accrued liabilities include \$18,667 (March 31, 2012- \$104,155) owing to an officers and directors of the Company for legal services rendered and for expense reimbursements of corporate costs. See notes 6, 16 and 18(b) for additional related party information.

10. INCOME TAXES:

The Company has non-capital losses of approximately \$1,860,890 in Canada which expire through 2032 and \$1,273,761 in Perú which expire through 2016. The benefit of these losses has not been recognized for financial statements purposes.

11. CAPITAL DISCLOSURES:

The Company considers its capital to include components of shareholders' deficiency, which is comprised of share capital, reserve for warrants, foreign currency translation reserve, and deficit, which as at September 30, 2012 totalled \$181,064 (March 31, 2012- \$422,948).

The Company's objectives in managing capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue investments and new projects of merit; and to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.



TARTISAN RESOURCES CORP.  
(An Exploration Stage Enterprise)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
(UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

11. CAPITAL DISCLOSURES (continued):

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 properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will continue to assess its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the period ended September 30, 2012. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS:

*Fair value*

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have a material effect on the estimated fair value amounts.

The fair values of cash, accounts receivable and accounts payable and accrued liabilities are comparable to their carrying values due to the relatively short period to maturity of these instruments.

The fair value of amounts due to related parties and long-term amounts payable are considered to be not comparable to their carrying values.

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 an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

In respect to accounts receivable, the Company is not exposed to significant credit risk.

Concentration of credit risk exists with respect to the Company's cash as all the amounts are held with a Canadian Chartered bank in Peru and Canada. Management believes that the credit risk and the risk of loss with respect to cash are remote because cash deposits are placed with a major bank with strong investment-grade ratings by a primary ratings agency.

TARTISAN RESOURCES CORP.  
(An Exploration Stage Enterprise)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
(UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (continued):

*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 cash of \$1,489 (March 31, 2012- \$2,811) to settle accounts payable and accrued liabilities of \$180,973 (March 31, 2012- \$261,032).

All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms. The ability of the Company to continue to pursue its exploration activities is dependent on its ability to secure additional equity other financing.

*Interest rate risk*

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments.

The Company is not exposed to any significant interest rate risk as it currently does not hold any interest bearing investments subject to interest rate fluctuations.

*Foreign currency risk*

Foreign currency exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company uses the Canadian dollar as its presentation currency for these interim condensed consolidated financial statements. The Company operates in Peru, giving rise to exposure to market risks from changes in foreign exchange rates. The Company currently does not use derivative instruments to hedge its exposure to those risks.

A change in the foreign exchange rate of 10% would result in the change in foreign exchange gain or loss by approximately \$10,000.

*Political Risk*

The properties are located in Perú; accordingly, the Company is subject to risks normally associated with exploration and development of mineral properties in Perú. The Company's ability to conduct future exploration and development activities is subject to changes in government regulations and shifts in political attitudes over which the Company has no control.

*Commodity price risk*

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company. The Company monitors commodity prices to determine the appropriate course of action to be taken by the Company.

TARTISAN RESOURCES CORP.  
(An Exploration Stage Enterprise)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
(UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (continued):

*Business Risk*

There are numerous business risks involved in the mineral exploration industry, some of which are outlined below. The Company's current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether. The success of the operations and activities are dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors.

Investors must be willing to rely to a significant degree on management's discretion and judgment, as well as the expertise and competence of outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company's operations and financial performance.

13. SEGMENTED INFORMATION:

The Company operates in a single reportable operating segment, the exploration and development of mineral properties. Segmented geographic information is as follows:

The following table allocates total assets by segment:

As at	September 30, 2012	March 31, 2012
<b><u>Current</u></b>		
Canada	\$ 19,855	\$ 11,889
Perú	<u>5,052</u>	<u>1,828</u>
Total assets	<u>\$ 24,907</u>	<u>\$ 13,717</u>
As at	September 30, 2012	March 31, 2012
<b><u>Non-Current</u></b>		
Canada	\$ -	\$ -
Perú	<u>136,454</u>	<u>113,480</u>
Total assets	<u>\$ 136,454</u>	<u>\$ 113,480</u>

The following table allocates net loss by segment:

	Six months ended September 30, 2012	Six months ended September 30, 2011
Canada	\$ 281,461	\$ 309,048
Perú	<u>74,271</u>	<u>256,489</u>
Net loss	<u>\$ 355,732</u>	<u>\$ 565,537</u>

TARTISAN RESOURCES CORP.  
(An Exploration Stage Enterprise)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
(UNAUDITED)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

14. CONTINGENT LIABILITY:

A former consultant of the Company filed a Statement of Claim (the "Claim") claiming compensation for breach of contract. The Company is of the opinion that the Claim is without merit and will vigorously contest the Claim. However, if defence against the Claim is unsuccessful, damages could amount to approximately \$40,848, as well as costs of the proceedings, plus the issuance of 200,000 common shares of the Company, and the issuance of 96,266 broker warrants, each exercisable into one common share of the Company and \$25,000 in punitive damages. Neither the possible outcome nor the amount of possible settlement can be foreseen at this time.

15. RECLASSIFICATION OF COMPARATIVE FIGURES:

The Company reviewed the reserve for warrants and noted that based on the residual value method used to allocate proceeds from unit placements between shares and warrants, the reserve for warrants should be reduced from \$320,659 to \$118,493 as of April 1, 2011 and \$501,927 to \$161,785 as of September 30, 2011. Accordingly, these amounts have been reclassified from reserve for warrants to share capital. These reclassifications did not affect comprehensive loss, deficit, shareholders' equity, and cash flows for the six month period ended September 30, 2011.

16. LONG-TERM AMOUNTS PAYABLE:

During the six months ended September 30, 2012, management negotiated with certain vendors of the Company to waive their rights for repayment of certain amounts owing to them for a period of twelve months. Accordingly, these amounts have been reclassified from accounts payable and accrued liabilities to long-term amounts payable. In addition, 200,000 common shares of the Company were issued at a deemed value of \$0.25 per share for an aggregate settlement amount of \$50,000 during the period. As at September 30, 2012, long-term amounts payable includes \$81,749 (March 31, 2012- \$nil) owing to a law firm for which an officer of the Company is a partner.

17. EXPLORATION COSTS:

Exploration costs have been expensed as incurred. Included in exploration costs are IGV expenditures that have been estimated by management to be none refundable. The amounts expended to September 30, 2012 that are recoverable against IGV collected on potential future revenues earned by the Peruvian subsidiary amounts to \$99,777 (March 31, 2012- \$93,572).

18. EVENTS AFTER THE REPORTING DATE:

Subsequent to period-end:

- a) The Company closed non-brokered private placements of 486,667 units at \$0.15 per unit for aggregate proceeds of \$73,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant is exercisable at \$0.25 expiring twelve months from the closing date. In connection with the forgoing placements, a cash finder's fee of \$1,440 was paid and 120,000 finder warrants were issued. Each finder warrant entitles the holder to subscribe to one common share of the Company at an exercise price of \$0.25 for a twelve month period from the date of issuance.
- b) On October 5, 2012, the Company granted 2,500,000 stock options to officers, directors and consultants of the Company. The stock options are exercisable into one common share of the Company at a price of \$0.25, expiring on October 4, 2017.

TARTISAN RESOURCES CORP.  
(An Exploration Stage Enterprise)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
(UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

19. LOSS PER SHARE:

**Basic loss per share:**

The calculation of basic loss per share for the six months ended September 30, 2012 was based on the loss attributable to common shareholders of \$0.01 (six months ended September 30, 2011- \$0.02) divided by the weighted average number of common shares outstanding of 26,201,100 (six months ended September 30, 2011- 24,617,159).

**Diluted loss per share:**

Warrants have not been included in the calculation of diluted loss per share for the six months periods ended September 30, 2012 and 2011, as they are anti-dilutive.