# LONGACRE RESOURCES INC.

**(An Exploration Stage Company)**

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

**For the nine months ended December 31, 2012 and 2011**

**LONGACRE RESOURCES INC.**
CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the nine month period ended December 31, 2012 (unaudited)


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**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed interim financial statements of Longacre Resources Inc. as at December 31, 2012 and 2011, notes to condensed interim financial statements and the related Management's Discussion and Analysis.

**LONGACRE RESOURCES INC.**
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

| | (unaudited) December 31, 2012 | March 31 2012 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 26,324 | $ 14,116 |
| Amounts receivable | 4,310 | 20,573 |
| | 30,634 | 34,689 |
| **Non-Current** | | |
| Exploration and evaluation assets (Note 3) | 120,500 | 120,500 |
| Deferred share issue costs (Note 10) | 52,606 | - |
| **Total Assets** | $ 203,740 | $ 155,189 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | $ 68,959 | $ 10,000 |
| **EQUITY** | | |
| Share capital (Note 4) | 302,500 | 295,000 |
| Deficit | (167,719) | (149,811) |
| | 134,781 | 145,189 |
| **Total Liabilities and equity** | $ 203,740 | $ 155,189 |

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

**Subsequent event** (Note 10)

**Approved and authorized for issue by the Directors on February 13, 2013:**

*“Mark Holden”* Director “*Jeff Lightfoot*” Director

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

**LONGACRE RESOURCES INC.**
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

| | (unaudited) Three month period ended December 31, 2012 | (unaudited) Nine month period ended December 31, 2012 | (unaudited) Three month period ended December 31, 2011 | (unaudited) Period From Incorporation April 13, 2011 to Dec 31, 2011 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Management fees (note 5) | $ - | $ 2,500 | $ 7,500 | $ 10,000 |
| General and administrative | 8,404 | 8,380 | 2,602 | 4,721 |
| Professional fees (note 5) | 8,720 | 27,028 | 17,572 | 30,072 |
| Stock based compensation (note 4) | (20,000) | (20,000) | - | 80,000 |
| | (2,876) | 17,908 | 27,674 | 124,793 |
| **Net and comprehensive income (loss) for the period** | $ 2,876 | $ (17,908) | $ (27,674) | $ (124,793) |
| **Loss per share – basic and diluted** | $ 0.00 | $ (0.03) | $ (0.01) | $ (0.04) |
| **Weighted average number of shares outstanding – basic and diluted** | 6,341,739 | 6,289,782 | 3,800,000 | 3,200,763 |

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

**LONGACRE RESOURCES INC.**
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

| | Nine month period ended December 31, 2012 | Period from Incorporation April 13, 2011 to December 31, 2011 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the period | $ (17,908) | $ (124,793) |
| Stock based compensation | (20,000) | 80,000 |
| Changes in operating assets and liabilities: | | |
| Accounts payable and accrued liabilities | 16,353 | 35,136 |
| Amounts receivable | 16,263 | (18,774) |
| Cash used in operating activities | (5,292) | (28,431) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Deferred share issue costs | (15,000) | - |
| Proceeds from share issuance | 32,500 | 150,000 |
| Share issue costs | - | (1,000) |
| Cash provided by financing activities | 17,500 | 149,000 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of exploration and evaluation asset | - | (17,153) |
| Exploration and evaluation expenditures | - | (103,347) |
| Cash used in investing activities | - | (120,500) |
| **Change in cash during the period** | 12,208 | 69 |
| **Cash, beginning of period** | 14,116 | - |
| **Cash, end of period** | $ 26,324 | $ 69 |
| **Supplemental disclosures** | | |
| Interest paid | $ - | $ - |
| Income tax paid in cash | $ - | $ - |

**Non cash transactions** (note 7)

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

**LONGACRE RESOURCES INC.**
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

| | Number of Shares | Amount | Reserve | Deficit | Total |
|---|---|---|---|---|---|
| Shares issued: | | | | | |
| Founder shares | 2,000,000 | $ 100,000 | $ - | $ - | $ 100,000 |
| Private placement | | | | | |
| Flow through, $0.05 per share | 1,200,000 | 60,000 | - | - | 60,000 |
| Cash, $0.05 per share | 1,400,000 | 70,000 | - | - | 70,000 |
| Share issue costs | - | (1,000) | - | - | (1,000) |
| Net loss for the period | - | - | - | (124,793) | (124,793) |
| Balance, December 31, 2011 | 4,600,000 | 229,000 | - | (124,793) | 104,207 |
| Balance, March 31, 2012 | 5,920,000 | 295,000 | - | (149,811) | 145,189 |
| Shares issued: | | | | | |
| Private placement | | | | | |
| Cash, $0.05 per share | 650,000 | 32,500 | - | - | 32,500 |
| Founders share redemption | (500,000) | (25,000) | - | - | (25,000) |
| Net loss for the period | - | - | - | (17,908) | (17,908) |
| Balance, December 31, 2012 | 6,070,000 | $ 302,500 | $ - | $ (167,719) | $ 134,781 |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Longacre Resources Inc. (the “Company”) was incorporated under the laws of the province of British Columbia on April 13, 2011. The Company’s principal business is the exploration and development of mineral resources. The Company's corporate office is located at 300 – 1055 West Hastings Street, Vancouver B.C.

The Company is in the process of exploring its mineral property interests and has not yet determined whether the Christa-Aura property contains mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for the investment in the Christa-Aura property is entirely dependent upon the existence of economically recoverable mineral reserves; the ability of the Company to obtain the necessary financing to complete the exploration and development of the Christa-Aura property; obtaining the necessary permits to mine; and future profitable production or proceeds from the disposition of the investment in the Christa-Aura property.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the nine month period ended December 31, 2012 the Company incurred a net loss of $17,908 ($124,793 for the period from incorporation on April 13, 2011 to December 31, 2011). At December 31, 2012 the Company had cash of $26,324 ($69 as at December 31, 2011) and working capital deficiency of $38,325 ($16,292 as at December 31, 2011). The continuation of the Company as a going concern is dependent on its ability to obtain necessary financing, generate positive cash flows and ultimately the achievement of profitable operations. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

Management plans to raise funds pursuant to its recently approved IPO, see note 10.

## 2. SIGNIFICANT ACCOUNTING POLICIES

*(a) Statement of Compliance*

These condensed interim financial statements, including comparatives that are unaudited have been prepared in accordance with IAS 34 “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations by the International Financial Reporting Interpretations Committee (“IFRIC”).

*(b) Basis of Preparation*

These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss, and available-for-sale which are stated at their fair value. In addition these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Significant Accounting Estimates and Judgments

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 condensed interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting 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 actual results differ from assumptions made, relate to, but are not limited to, the following:

i. the carrying value and the recoverability of the carrying value of the exploration and evaluation assets included in the condensed interim statements of financial position;
ii. the inputs used in accounting for agents' warrants; and
iii. the composition of deferred income tax asset and valuation of deferred income tax asset allowance.

*Critical accounting judgments*

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves significant judgment made by management.

*(d) Recent accounting pronouncements*

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2013 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the condensed interim financial statements.

(a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

(b) IFRS 10 – Consolidation replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*(d) Recent accounting pronouncements (continued)*

(c) 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 joint operations, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 Interests in Joint Ventures, and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers.

(d) IFRS 12 – Disclosure of Interest in Other Entities establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces additional disclosures addressing the nature of, and risks associated with, an entity's interests in other entities.

(e) IFRS 13 – Fair Value Measurement is a comprehensive standard that defines fair value, requires disclosure about fair value measurement and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

(f) IAS 27 – Separate Financial Statement addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements

(g) IAS 28 – Investments in Associates and Joint Ventures has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

(h) IAS 1 – Presentation of Financial Statements amendment requires components of other comprehensive income to be separately presented between those that may be reclassified to income and those that will not. The amendments are effective for annual periods beginning on or after July 1, 2012.

(i) IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after July 1, 2012.

(Unaudited - Expressed in Canadian Dollars)

## 3. EXPLORATION AND EVALUATION ASSETS

| | | December 31, 2012 |
|---|---|---|
| **CHRISTA-AURA PROPERTY,** | | |
| **Acquisition costs:** | | |
| Cash | $ | 17,153 |
| | | 17,153 |
| **Exploration costs:** | | |
| Mapping and geochemical | | 34,258 |
| Geophysical | | 25,353 |
| Geochemical | | 7,096 |
| Field supplies and equipment rental | | 11,994 |
| Geological consulting | | 24,646 |
| | | 103,347 |
| **Balance, March 31 and December 31, 2012** | **$** | **120,500** |

On July 1, 2011, the Company acquired a 100% interest in certain mining claims comprising the Christa-Aura Property situated in south western British Columbia, by staking the claims at a cost of $17,153.

## 4. SHARE CAPITAL AND RESERVES

a) Authorized

An unlimited number of Common shares, with one vote per share

b) Issued

(i) During fiscal 2012 2,000,000 common shares were issued at $0.01 per share for cash of $20,000, the “Founders shares”. The fair value of these escrow shares issued to the Directors and officers of the Company was determined to be $100,000. As a result, $80,000 ($100,000-$20,000) of stock-based compensation was expensed in the period ended March 31, 2012. These common shares are held in escrow and will be released pro-rata to the shareholders with 10% of the escrow securities being released upon the date the common shares are listed for trading on the TSX Venture Exchange, 1/6 of remainder being released after 6 months, 1/5 of remainder being released after 12 months, 1/4 of remainder being released after 18 months, 1/3 of remainder being released after 24 months, 1/2 of remainder being released after 30 months and the remaining being released after 36 months from listing.

(ii) During fiscal 2012 the Company issued 1,200,000 flow-through common shares, and 600,000 non flow-through common shares and an equivalent number of common share purchase warrants at a price of $0.05 per unit for proceeds of $90,000.

(iii) During fiscal 2012 2,120,000 common shares and an equivalent number of common share purchase warrants were issued at $0.05 per unit for cash of $106,000. The Company paid issue costs of $1,000.

(iv) During the nine months ended December 31, 2012, 650,000 common shares and an equivalent number of common share purchase warrants were issued at $0.05 per unit for cash of $32,500.

(v) During the nine months ended December 31, 2012, the Company redeemed 500,000 previously issued Founders’ shares paying $0.01 per share for total cash consideration of $5,000. There was a corresponding reduction in the fair value of the Founders shares of $20,000 see note 4(b)(i), and an equivalent reduction in the stock based compensation expense. There remain 1,500,000 Founders shares subscribed for at $0.01 per share.

c) Warrants and options

There are 4,570,000 common share purchase warrants outstanding as at December 31, 2012. Each of the warrants entitles the holder thereof to acquire one additional common share of the Company at $0.10 per share at any time until 24 months following the date the Company’s shares are first listed for trading on a stock exchange in North America. The Company valued the warrants at $ Nil, using the residual value approach.

d) Stock option plan

Effective March 31, 2012 the Company adopted a stock option plan 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 this plan, the exercise price of each option equals the market price or a discounted 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.

At December 31, 2012 there are no options outstanding.

(Unaudited - Expressed in Canadian Dollars)

## 5. RELATED PARTY BALANCES AND TRANSACTIONS

During the nine months ended December 31, 2012 and 2011, the Company:

- paid management fees of $2,500 (2011 - $10,000) to a company controlled by a director and president of the Company
- paid or accrued legal fees for deferred share issue costs of $37,605 (2011 - $Nil) to a legal firm with a partner who is a director of the Company
- paid or accrued legal fees of $3,308 (2011 - $$10,072) to a legal firm with a partner who is a director of the Company
- paid professional fees of $22,500 (2011 - $20,000) to a company controlled by an officer of the Company

These transactions were agreed upon by the board of directors and were measured at the exchange amount which is the amount of consideration established and agreed to by related parties.

## 6. INCOME TAXES

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

| | | **March 31, 2012** |
|---|---|---|
| Canadian tax rate | | 26.13% |
| Income tax benefit computed at statutory rates | $ | (39,100) |
| Items not deductible for tax purposes | | 20,900 |
| Effect of change in tax rates | | 800 |
| Unrecognized deferred tax assets | | 17,400 |
| | $ | - |

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

| | | **March 31, 2012** |
|---|---|---|
| Deferred income tax assets (liabilities) | | |
| Exploration and evaluation assets | $ | (15,000) |
| Non-capital losses | | 17,500 |
| Share issue costs | | 200 |
| Unrecognized deferred tax assets | | (2,700) |
| | $ | - |

## 7. NON CASH TRANSACTIONS

Included in deferred share issue costs is $37,605 which is accrued at December 31, 2012.

There were no non-cash investing or financing transactions during the period ended December 31, 2011.

## 8. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

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. The Company believes it has no significant credit risk.

*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. The interest earned on cash approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates.

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 gold and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## 9. CAPITAL DISCLOSURES

The Company’s principal source of capital is from the issuance of common shares. The Company’s capital management objective is to obtain sufficient capital to develop new business opportunities for the benefit of its shareholders. To meet the objectives, management monitors the Company’s ongoing capital requirements on specific business opportunities on a case by case basis. The capital structure of the Company consists of cash and equity attributable to common shareholders, consisting of issued share capital, reserve and deficit. The Company is not subject to any externally imposed capital requirements.

## 10. SUBSEQUENT EVENTS

a. Pursuant to an Engagement Letter dated March 9, 2012, amended July 24, 2012, the Company engaged Wolverton Securities Ltd. to act as its agent to assist with the Company' initial public offering ("IPO") of its securities by way of prospectus and the Company's listing on the TSX Venture Exchange. The Company received regulatory approval for its IPO prospectus from the British Columbia and Alberta Securities Commissions on January 21, 2013. The Company plans to raise $600,000 by the issuance of 4,000,000 common shares at $0.15 per common share.

   The Agent will be paid a fee in cash of 8% of the gross proceeds of the Offering, payable at the Agent's option in cash or shares, at a price per share equal to the $0.15 offering price. The Company will also grant non-transferable agent's options to the Agent, entitling the Agent to purchase that number of common shares equal to 8% of the number of common shares sold pursuant to the IPO. The Agent's options will be exercisable at an exercise price of $0.15 for a period of 24 months from the date the Company's shares are first listed for trading on a stock exchange in North America. The Agent will also receive a corporate finance fee of $25,000 (plus HST) toward which a retainer of $5,000 (plus HST) has been paid and the balance of which is payable at the agents option in cash or shares. The Company will also reimburse the Agent for legal fees and expenses, towards which a retainer of $9,400 has been paid.