ACADIA RESOURCES CORP.

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

FOR THE NINE MONTHS ENDED MAY 31, 2012

These unaudited condensed interim financial statements of Acadia Resources Corp. for the nine months ended May 31, 2012 have been prepared by management and approved by the Board of Directors. These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

ACADIA RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)
As at

	May 31, 2012	August 31, 2011 (Note 12)
ASSETS		
Current		
Cash	$ 686,366	$ 819,072
Receivables (Note 4)	63,142	41,625
	749,508	860,697
Exploration advances	-	19,809
Exploration and evaluation asset (Note 5)	175,476	103,650
	$ 924,984	$ 984,156
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	$ 68,310	$ 28,733
Shareholders' equity		
Share capital (Note 8)	11,709,901	11,709,901
Reserves (Note 8)	126,302	98,973
Deficit	(10,979,529)	(10,853,451)
	856,674	955,423
	$ 924,984	$ 984,156

Nature and continuance of operations (Note 1)
Basis of preparation and first-time adoption of IFRS (Note 2)

Approved and authorized by the Board on July 26, 2012

"Thomas Kennedy"	Director	*"Christopher Cherry"*	Director
Thomas Kennedy		Christopher Cherry	

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

ACADIA RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended May 31, 2012	Three Months Ended May 31, 2011	Nine Months Ended May 31, 2012	Nine Months Ended May 31, 2011
		(Note 12)		(Note 12)
EXPENSES				
Consulting (Note 10)	$ 13,500	$ 10,000	$ 43,500	$ 10,000
Interest (Note 7)	-	-	-	27,608
Management fees (Note 10)	7,500	5,000	22,500	5,000
Office	6,693	975	8,728	2,342
Professional fees	2,860	1,269	10,567	47,231
Shareholder communications	483	-	1,180	-
Stock-based compensation (Note 8)	-	51,108	27,329	51,108
Transfer agent and filing fees	7,613	16,016	12,274	19,323
Loss and comprehensive loss for the period	$ (38,649)	$ (84,368)	$ (126,078)	$ (162,612)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding	47,738,946	28,958,159	47,738,946	12,270,878

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

ACADIA RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	Nine Months Ended May 31, 2012	Nine Months Ended May 31, 2011 (Note 12)
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	$ (126,078)	$ (162,612)
Less item not affecting cash:		
Stock-based compensation	27,329	51,108
Changes in non-cash working capital items:		
Increase in receivables	(21,517)	(11,754)
Decrease in accounts payable and accrued liabilities	(12,440)	(102,458)
Net cash used in operating activities	(132,706)	(225,716)
CASH FLOWS USED IN INVESTING ACTIVITY		
Deferred acquisition costs	-	(7,744)
Net cash used in investing activity	-	(7,744)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in notes payable	-	(1,276,211)
Decrease in due to related party	-	(308,306)
Decrease in accrued compensation payable to a director	-	(135,464)
Issuance of common shares	-	1,988,850
Issuance of special warrants	-	1,011,150
Share issuance costs	-	(42,226)
Net cash provided by financing activities	-	1,237,793
Change in cash for the period	(132,706)	1,004,333
Cash, beginning of period	819,072	606
Cash, end of period	$ 686,366	$ 1,004,939
Cash paid during the period for interest	$ -	$ 27,608
Cash paid during the period for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 9)

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

ACADIA RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Share Capital					
	Number	**Amount**	**Special Warrants**	**Reserves**	**Deficit**	**Total**
Balance at September 1, 2010	3,788,946	$ 8,752,127	$ -	$ -	$ (10,950,996)	$ (2,198,869)
Loss for the period	-	-	-	-	(162,612)	(162,612)
Shares issued for cash	26,517,996	1,988,850	-	-	-	1,988,850
Share issuance costs	3,950,000	(42,226)	-	-	-	(42,226)
Special warrants issued for cash	-	-	1,011,150	-	-	1,011,150
Stock-based compensation	-	-	-	51,108	-	51,108
Balance at May 31, 2011	34,256,942	$ 10,698,751	$ 1,011,150	$ 51,108	$ (11,113,608)	$ 647,401
Balance at August 31, 2011	47,738,946	$ 11,709,901	$ -	$ 98,973	$ (10,853,451)	$ 955,423
Loss for the period	-	-	-	-	(126,078)	(126,078)
Stock-based compensation	-	-	-	27,329	-	27,329
Balance at May 31, 2012	47,738,946	$ 11,709,901	$ -	$ 126,302	$ (10,979,529)	$ 856,674

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Acadia Resources Corp. (the "Company") is incorporated under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its mineral properties contain ore reserves.

The Company's head office, principal address and registered records office is 408 – 837 West Hastings Street, Vancouver, British Columbia, Canada, V6C 3N6.

The recovery of the amounts comprising mineral properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

These unaudited condensed interim financial statements have been prepared by management 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. The Company has incurred ongoing losses. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

These unaudited condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company estimates it has sufficient working capital to continue operations for the balance of the current fiscal year and the next fiscal year.

2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS

Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("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 issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company's transition date to IFRS is September 1, 2010. The rules for first-time adoption of IFRS are set out in IFRS 1, "First-time adoption of International Financial Reporting Standards". In preparing the Company's third IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with Canadian generally accepted accounting principles ("GAAP"). Historical results and balances have been restated under IFRS. These condensed interim financial statements should be read in conjunction with the Company's 2010 GAAP annual financial statements, and in consideration of the disclosure regarding the transition from Canadian GAAP to IFRS included in Note 12. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these condensed interim financial statements nor in the Company's most current annual GAAP financial statements.

2. BASIS OF PREPARATION (cont'd…)

Basis of Presentation

These condensed interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of receivables, valuation of mining interests, valuation of share-based payments, recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

<u>Financial assets</u>

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

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

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Share-based payments

The Company grants stock options to directors, officers, employees and consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Income taxes

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

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

New standards not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as of May 31, 2012 and have not been applied in preparing these condensed interim financial statements. None of these are expected to have a material effect on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards not yet adopted (cont'd…)

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

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Income taxes
In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Joint ventures
The IASB issued Exposure Draft 9 – Joint Arrangements ("ED-9") in September 2007. ED-9 proposed to eliminate the Company's choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method. During the second quarter of 2009, the IASB commenced re-deliberations of ED-9 and now proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The IASB plans on publishing the final standard during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact that ED-9 and the final standard are expected to have on its consolidated financial statements.

Consolidation
On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 - Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

(Expressed in Canadian Dollars)

4. RECEIVABLES

The Company's receivables are as follows:

	May 31, 2012	August 31, 2011
HST receivable	$ 44,165	$ 22,648
BC Mining tax credit receivable	18,977	18,977
	$ 63,142	$ 41,625

5. EXPLORATION AND EVALUATION ASSET

During the year ended August 31, 2011, the Company entered into an option agreement with Garibaldi Resources Corp. ("Garibaldi") to acquire up to a 70% interest in two blocks comprised of 1,720 hectares located in the Iskut River District of northern British Columbia (the "King property"). In order to exercise its initial option to acquire a 50% interest in the King property, the Company is required to make the following cash payments and incur exploration expenditures as follows:

Date	Cash Payment	Exploration expenditures
August 1, 2011	$ 20,000 (paid)	$ -
December 31, 2012	-	400,000
December 31, 2013	70,000	100,000
Total	$ 90,000	$ 500,000

If this first option is exercised, the Company will have a second option to increase its interest to 70% by spending an aggregate $1,500,000 on the King property by December 31, 2014 and by issuing 3,000,000 common shares to Garibaldi. The original property owner has retained a 2% NSR on the King property which may be purchased for $1,000,000. One of the Company's directors owns the King Property mineral claims and has optioned the King Property to Garibaldi Resources Corp.

During the year ended August 31, 2011, the Company paid $20,000 in a cash payment on the King property and incurred $7,744 of legal costs towards the acquisition of the property.

During the year ended August 31, 2011, the Company incurred $94,883 of exploration costs on the King property. These exploration costs consisted of $18,585 of trenching, $25,263 of geological consulting, $9,273 of mapping $41,762 of field expenses. The Company also accrued $18,977 as a recovery of mining tax credits.

During the nine months ended May 31, 2012, the Company incurred $71,826 on the King property. These exploration costs consisted of $22,422 of trenching, $23,546 of geological consulting, $5,805 of assays and $20,053 of field expenses.

(Expressed in Canadian Dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are as follows:

	May 31, 2012	August 31, 2011
Accounts payable	$ 65,310	$ 12,733
Accrued liabilities	3,000	16,000
	$ 68,310	$ 28,733

7. LONG-TERM NOTES PAYABLE TO RELATED PARTIES

The long-term notes payable to related parties bore interest at the rate of 10% per annum, and were unsecured. During the year ended August 31, 2011, these notes payable and accrued interest were repaid in full.

The Company recognized $Nil (2011 - $27,608) of interest expense on these notes payable for the nine months ended May 31, 2012.

8. SHARE CAPITAL AND RESERVES

a) Authorized share capital

As at May 31, 2012, the authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value, all issued shares, consisting only of common shares are fully paid.

b) Stock options

The Company has a stock option plan in place 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 shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of five years with vesting provisions determined by the Board of Directors.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

b) Stock options (cont'd…)

As at May 31, 2012, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Options	Exercise Price	Expiry Date
600,000	0.105	April 8, 2013

Stock option transactions are summarized as follows:

	Number Of Options		Weighted Average Exercise Price
Balance, September 1, 2010	-	$	-
Granted	600,000		0.46
Balance, August 31, 2011	600,000		0.46
Granted	600,000		0.105
Expired	(600,000)		0.46
Balance, May 31, 2012	600,000	$	0.105
Number of options currently exercisable	600,000	$	0.105

Stock-based compensation

During the nine months ended May 31, 2012, the Company granted 600,000 (2011 – 600,000) stock options with a fair value calculated using the Black-Scholes options pricing model, of $27,329 (2011 - $51,108) which is recognized as stock-based compensation expense for 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 assumptions were used for the Black-Scholes valuation of options granted during the period.

	2012	2011
Risk-fee interest rate	1.07%	1.90%
Expected life of options	14 months	12 months
Annualized volatility	105%	44.82%
Dividend rate	0.00%	-
Forfeiture rate	0.00%	-

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

c) Warrants

As at May 31, 2012, the Company had outstanding share purchase warrants entitling the holders to acquire additional common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
43,950,000	$0.15	March 23, 2013

Share purchase warrant transactions activity is summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, September 1, 2010	-	$	-
Issued	43,950,000		0.15
Balance, August 31, 2011 and May 31, 2012	43,950,000	$	0.15

9. SUPPLEMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS

During the nine months ended May 31, 2012, the Company accrued $52,017 of exploration and evaluation asset expenditures in accounts payable and accrued liabilities and transferred $19,809 from exploration advances to exploration and evaluation asset expenditures.

During the nine months ended May 31, 2011, significant non-cash investing and financing activities include issuing 3,950,000 finders' units valued at $0.075 per unit, totaling $296,250.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

During the nine months ended May 31, 2012, the Company entered into the following transactions with related parties, not disclosed elsewhere in these condensed interim financial statements:

	2012	2011
Management fees to an officer/director of the Company	$ 22,500	$ 5,000
Consulting fees to a company controlled by an officer and to a company associated with a director of the Company	43,500	10,000
Professional fees to a law firm in which an officer is a partner	9,755	-
Exploration consulting fees to a director of the Company	3,600	-
Interest charged by a company controlled by a former director, the spouse of a director and the law firm in which a former director was a partner	-	27,608

As at May 31, 2012, included in accounts payable and accrued liabilities is $66,009 (August 31, 2011 - $7,400) owing to related parties.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

Level 1 **–** Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 **–** Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 **–** Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related party approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

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. Such fluctuations may be significant.

(a) Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company is not exposed to foreign currency risk on fluctuations in exchange rates. The Company does not hedge its currency risk.

(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 gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company does not hedge its currency risk.

Capital management

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, reserves and deficit.

The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and investments.

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

Capital management (cont'd…)

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments payable on demand. This strategy is unchanged from fiscal 2011.

The Company is not subject to externally imposed capital restrictions.

12. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these financial statements are for the period covered by the Company's third condensed interim financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing these condensed interim financial statements for the nine months ended May 31, 2012 and 2011, and the financial statements for the year ended August 31, 2011 and the opening IFRS statement of financial position on September 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the condensed financial statements for the interim period ended May 31, 2012, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

a) to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;

b) to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and

c) to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arose on adoption of IFRS.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of July 1, 2010 are consistent with its GAAP estimates for the same date.

There are no differences between IFRS and GAAP in connection with the Company's statements of comprehensive loss, statements of cash flows and statement of shareholders' deficit for the nine months ended May 31, 2011 or the year ended August 31, 2011.