PACIFIC IMPERIAL MINES INC.

Financial Statements

For the Years Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars)

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pacific Imperial Mines Inc.

We have audited the accompanying financial statements of Pacific Imperial Mines Inc. which comprise the statements of financial position as at June 30, 2012, June 30, 2011 and July 1, 2010, and the statements of comprehensive loss, changes in equity and cash flows for the years ended June 30, 2012 and 2011, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained based on our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacific Imperial Mines Inc. as at June 30, 2012, June 30, 2011 and July 1, 2010, and its financial performance and cash flows for the years ended June 30, 2012 and 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 to these financial statements which describes the existence of a material uncertainty that may cast significant doubt about the ability of Pacific Imperial Mines Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

October 15, 2012

PACIFIC IMPERIAL MINES INC.

Statements of Financial Position
As at June 30, 2012, June 30, 2011, and July 1, 2010
(Expressed in Canadian Dollars)

		June 30, 2012		June 30, 2011		July 1, 2010
				(Note 9)		(Note 9)
ASSETS						
Current assets						
Cash and cash equivalents	$	209,429	$	210,348	$	371,878
Advances and sundry receivables		12,975		12,676		6,748
Prepaid expenses		-		-		2,917
		222,404		223,024		381,543
Equipment (Note 3)		823		1,176		1,517
Total assets	$	223,227	$	224,200	$	383,060
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	$	3,283	$	17,708	$	25,946
Due to related parties (Note 4)		-		11,582		55,004
Total liabilities		3,283		29,290		80,950
SHAREHOLDERS' EQUITY						
Share capital (Note 5)		2,332,385		2,032,385		2,005,385
Contributed surplus		2,294,194		2,191,230		2,164,104
Deficit		(4,406,635)		(4,028,705)		(3,867,379)
Total shareholders' equity		219,944		194,910		302,110
Total liabilities and shareholders' equity	$	223,227	$	224,200	$	383,060

Nature of business and continuance of operation (Note 1)
Subsequent event (Note 10)

Approved and authorized for issue on behalf of the Board on October 15, 2012

"Roman Shklanka"
Roman Shklanka, Director

"Leo King"
Leo King, Director

(The accompanying notes are an intergral part of these financial statements)

PACIFIC IMPERIAL MINES INC.

Statements of Comprehensive Loss
For the Years Ended June 30, 2012 and 2011
(Expressed in Canadian Dollars)

		2012		2011
				(Note 9)
EXPENSES				
Accounting and audit	$	35,405	$	30,225
Amortization		353		341
Legal		5,408		18,326
Management fees		34,800		21,600
Office and miscellaneous		15,386		11,221
Promotion		3,709		6,270
Property investigation		246		-
Share-based compensation		102,964		27,126
Transfer agent fees		3,958		3,363
Travel		51,912		21,039
Wages and benefits		124,346		21,460
LOSS BEFORE OTHER ITEMS		(378,487)		(160,971)
Interest income		577		-
Foreign exchange loss		(20)		(355)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$	(377,930)	$	(161,326)
Loss per share - basic and diluted	$	(0.02)	$	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		18,841,968		21,972,652

(The accompanying notes are an integral part of these financial statements)

PACIFIC IMPERIAL MINES INC.

Statements of Changes in Equity

For the Years Ended June 30, 2012 and 2011

(Expressed in Canadian Dollars)

	Share Capital				
	Shares	Amount (Note 9)	Deficit	Contributed Surplus (Note 9)	Total Shareholders' Equity
Balance, July 1, 2010	31,646,728	$ 2,005,385	$ (3,867,379)	$ 2,164,104	$ 302,110
Net loss for year	-	-	(161,326)	-	(161,326)
Shares issued for debts settlement (Notes 4 and 5)	300,000	27,000	-	-	27,000
Shares returned for cancellation (Note 5)	(15,104,760)	-	-	-	-
Shares issued for cash					
Private placement	2,000,000	300,000	-	-	300,000
Less: proceeds not yet received	-	(300,000)	-	-	(300,000)
Share-based compensation	-	-	-	27,126	27,126
Balance, June 30, 2011	18,841,968	2,032,385	(4,028,705)	2,191,230	194,910
Net loss for year	-	-	(377,930)	-	(377,930)
Shares issued for cash					
Proceeds of private placement received (Note 5)	-	300,000	-	-	300,000
Share-based compensation	-	-	-	102,964	102,964
Balance, June 30, 2012	18,841,968	$ 2,332,385	$ (4,406,635)	$ 2,294,194	$ 219,944

(The accompanying notes are integral part of these financial statements)

PACIFIC IMPERIAL MINES INC.

Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011
(Expressed in Canadian Dollars)

	2012	2011
		(Note 9)
Cash flows provided by (used in) operating activities		
Net Loss for the year	$ (377,930)	$ (161,326)
Adjustment for items not involving cash:		
Amortization	353	341
Share-based compensation	102,964	27,126
	(274,613)	(133,859)
Changes in operating assets and liabilities:		
Advances and sundry receivable	(299)	(5,928)
Prepaid expenses	-	2,917
Accounts payable and accrued liabilities	(14,425)	(8,238)
Net cash used in operating activities	(289,337)	(145,108)
Cash flows provided by (used in) financing activities		
Cash received from shares issued	300,000	-
Repayments to related parties	(11,582)	(16,422)
Net cash provided by (used in) financing activities	288,418	(16,422)
Decrease in cash and cash equivalent	(919)	(161,530)
Cash and cash equivalents, beginning of year	210,348	371,878
Cash and cash equivalents, end of year	$ 209,429	$ 210,348

	2012	2011
Supplemental disclosure of cash flow information:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

(The accompanying notes are an integral part of these financial statements)

1. Nature of Business and Continuance of Operation

Pacific Imperial Mines Inc. ("the Company") is incorporated under the British Columbia Business Corporations Act since September 18, 1987. The Company's shares are listed on the TSX Venture Exchange. The Company's principal office is located at Suite 1700, 700 West Pender Street, Vancouver, BC V6C 1G8.

These financial statements of the Company have been prepared on a going-concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has experienced losses since its inception amounting to $4,406,635 as of June 30, 2012. The ability of the Company to meet its commitments as they become payable is dependent on the ability of the Company to acquire assets or a business or an interest therein, obtain the necessary financing, and develop assets or operations which will generate cash flows, either as a result of their disposal or from ongoing operations. The Company does not currently have assets or a business capable of generating ongoing cash flows. Although the Company has sufficient cash to meet its current administrative costs, there is no assurance that the Company will be successful in making an acquisition or in raising the necessary financing to do so.

These 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 and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

2. Summary of Significant Accounting Policies

(a) Basis of presentation and first-time adoption of International Financial Reporting Standards

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first annual financial statements presented in accordance with IFRS. Previously, the Company prepared its annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Note 9 discloses the impact of the transition to IFRS on the company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended June 30, 2011. Comparative figures for 2011 and 2010 have been restated to give effect to those changes.

The financial statements have been prepared on the historical costs, except for certain financial instruments which are recorded at fair value. In addition, these have been prepared using the accrual method of accounting except for cash flow information.

(b) Use of estimates

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes to the financial statements during the reporting period. Significant areas requiring the use of management estimates include the recoverability and measurement of deferred tax assets and liabilities and the assumptions used in valuing options and warrants in share-based payment calculations. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

(c) Cash equivalents

Cash equivalents consist of highly liquid investments which are readily convertible into known amounts of cash that have original maturities of three months or less when purchased.

(d) Equipment

Equipment is recorded at cost and amortized at the following rates per annum using the declining balance method:

Computer equipment and software	- 30%
Office equipment and furniture	- 20%

Additions during the period are amortized at one-half the normal rate in the period of acquisition.

(e) Impairment of property, plant and equipment

The carrying value of property, plant and equipment and intangibles are reviewed for possible impairment at each statement of financial position date.

If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount of an asset or cash generating unit is determined as the higher of the fair value less direct costs to sell and the asset value in use (being the present value of the expected future cash flows of the asset). An impairment loss is recognized for the amount by which the carrying amount exceeds its estimated recoverable amount.

(f) Income taxes

Income tax expense comprises current and deferred income tax. Tax is recognized in the income statement except to the extent that it relates to items recognized directly into equity, in which case the related tax effect is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current expense tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using a temporary difference approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated based on the expected manner in which temporary differences related to the carrying amounts of assets and liabilities, using tax rates that are expected to apply to the year of realization or settlement using tax rates and laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and which do not affect accounting or taxable profit or loss at the time of the transaction.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

2. Summary of Significant Accounting Policies (continued)

(g) Basic and diluted loss per share

Loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted earnings (loss) per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

(h) Share-based payments

The Company has a share-based payment plan as disclosed in Note 5, whereby stock options are granted in accordance with the policies of regulatory authorities. The Company uses a fair value based method of accounting for stock options to directors and employees. Stock options granted to non-employees are valued based on the fair value of the goods or services received, when fair value cannot be estimated reliably, the Company uses a fair value based method of accounting for stock options granted to non-employees. The fair value is determined using the Black-Scholes option pricing model with assumptions for risk-free interest rate, volatility, expected forfeiture and life of the options or warrants. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. The cost is recognized over the applicable vesting period as an increase in share-based payment expense, with the offset credit to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

(i) Financial instruments

The Company classifies financial assets and liabilities as fair value through profit or loss (“FVTPL”), available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition.

Financial assets and liabilities classified as FVTPL are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as FVTPL are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company has classified its cash and cash equivalents as FVTPL, and its accounts payable and due to related parties as other financial liabilities.

2. Summary of Significant Accounting Policies (continued)

(j) Foreign exchange

The Company's functional and presentation currency is the Canadian Dollar. The accounts recorded in foreign currencies have been translated into Canadian dollars on the following basis:

(a) monetary assets and liabilities at the rate of exchange in effect at the balance sheet date;

(b) non-monetary assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and

(c) revenue and expenses at the exchange rates prevailing of the date of the transaction.

Gains and losses on translation are included in income or expense in the period in which they occur.

(k) Accounting standards issued but not yet applied

IFRS 7, Financial Instruments: Disclosures

The amendments will increase disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions undertaken around the end of the reporting period, and the possible effects of any risks that may remain with the entity that transferred the asset. This new standard, which is applicable for annual periods beginning on or after July 1, 2011, is not expected to significantly impact the Company.

IFRS 9, Financial Instruments

This new standard introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39, Financial Instruments: Recognition and measurement, derecognition of financial assets and liabilities.

In December 2011, the IASB extended the mandatory effective date to on or after January 1, 2015 with early adoption permitted. As a result, there were amendments to IAS 32, Financial Instruments: Presentation to clarify the offsetting between financial assets and liabilities, which are mandatory effective on or after January 1, 2014. The Company has not yet assessed the impact of this standard.

IFRS 10, Consolidated Financial Statements

This standard 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. This new standard is effective for periods beginning on or after January 1, 2013, with early application permitted. The Company has not yet assessed the impact of this standard.

2. Summary of Significant Accounting Policies (continued)

(k) Accounting standards issued but not yet applied (continued)

IFRS 11, Joint arrangements

The standard provides for accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. This standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. This new standard is effective for periods beginning on or after January 1, 2013, with early application permitted. The Company has not yet assessed the impact of this standard.

IFRS 12, Disclosure of Interests in Other Entities

This standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted, and is not expected to significantly impact the Company.

IFRS 13, Fair value measurement

The standard sets out in a single IFRS a framework for measurement of fair value and related disclosures. The definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. This new standard is applicable for periods beginning on or after January 1, 2013, with early application permitted. The Company has not yet assessed the impact of this standard.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset. This new standard is applicable for periods beginning on or after January 1, 2013, with early application permitted. The Company has assessed that there is no impact to the Company's financial statements in adoption of this standard.

Amendments to other standards effective January 1, 2013

Amendments have been made to IAS 27, Separate Financial Statements, and IAS 28, Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13. The Company has assessed that there is no impact to the Company's financial statements in adoption of this standard.

(Expressed in Canadian Dollars)

2. Summary of Significant Accounting Policies (continued)

(k) Accounting standards issued but not yet applied (continued)

Amendments have been made to IAS 1, Presentation of Financial Statements, to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The Company has assessed that there is no impact to the Company's financial statements in adoption of this standard.

3. Equipment

June 30, 2012

	Cost	Accumulated Amortization	Net Book Value
Office equipment and furniture	$ 680	$ 680	$ -
Computer and software	4,191	3,368	823
Total	$ 4,871	4,048	$ 823

June 30, 2011

	Cost	Accumulated Amortization	Net Book Value
Office equipment and furniture	$ 680	$ 680	$ -
Computer and software	4,191	3,015	1,176
Total	$ 4,871	3,695	$ 1,176

July 1, 2010

	Cost	Accumulated Amortization	Net Book Value
Office equipment and furniture	$ 680	$ 680	$ -
Computer and software	4,191	2,674	1,517
Total	$ 4,871	$ 3,354	$ 1,517

(Expressed in Canadian Dollars)

4. Related Party Balances and Transactions

Transactions with key management personnel and entities over which they have control or significant influence were as follows:

Key Management Personal	Transaction	Year Ended June 30, 2012	Year Ended June 30, 2011	Amount Due to Related Parties at June 30, 2012	June 30, 2011	July 1, 2010
Albert Wu & Associates Ltd., controlled by Chief Financial Officer	Accounting fees	$ 16,605	$ 16,065	$ -	$ 3,024	$ 4,144
Chelsia Cheam	Bookkeeping and Corporate Secretary services	3,000	3,000	-	-	250
H. Leo King & Associates Inc., controlled by the President	Management fees	6,000	6,000	-	560	49,350
Roman Shklanka, director	Travel expenses	-	-	-	7,998	-
Kobex Minerals Inc., controlled by a director in common	Management fees	28,800	15,600	-	-	1,260
Directors and officers	Share-based payments	91,378	27,126	-	-	-
Total		$ 145,783	$ 67,791	$ -	$ 11,582	$ 55,004

During the year ended June 30, 2011, the Company issued 300,000 shares at a fair value of $27,000 to H. Leo King & Associates Inc. for settlement of debt of $27,000.

The amounts due to related parties are unsecured, have no specific terms of repayment and are non-interest bearing.

5. Share Capital

(a) Authorized: unlimited common shares with no par value

(b) Issued and outstanding:

On June 22, 2011, the Company completed a private placement and issued 2,000,000 shares at $0.15 per share for total proceeds of $300,000, which were received by the Company in full in July 2011.

On December 2, 2010, the Company issued 300,000 shares to a company controlled by a director for settlement of debts of $27,000.

On November 3, 2010, 15,104,760 shares were returned to the Company for cancellation.

On October 15, 2007, pursuant to a Mining Operations Agreement, the Company agreed to issue 7,807,333 shares of the Company to YNGB in connection with settlement of this Agreement as it pertained to GGC, its former subsidiary. As a result of the share purchase agreement dated August 20, 2010 this contingent obligation no longer exists and these shares will not be issued. In addition, 15,104,760 shares previously issued in connection with this Agreement were cancelled.

(Expressed in Canadian Dollars)

5. Share Capital (continued)

(c) Options

The Company has adopted a stock option plan whereby the Company can grant stock options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding share capital of the Company from time to time.

During the year ended June 30, 2012, the Company granted 1,275,000 (2011 – 425,000) options to directors and officers. These options vested on the grant date. The Company charged share-based payments of $102,964 (2011 – $27,126) to operations. The Company used the Black-Scholes option pricing model with the following weighted average assumptions to value the options granted:

	2012	2011
Share price on grant date	$0.10	$0.09
Risk-free interest rate (%)	1.31%	1.99%
Expected dividend yield (%)	-	-
Expected option life (years)	5	5
Expected stock price volatility (%)	130%	95%

The weighted average fair value of options at grant date was $0.08 (2001 - $0.06)

(c) Options

The changes in options were as follows:

	Number of Options	Average Exercise price
Balance, June 30, 2010	725,000	$0.273
Granted	425,000	$0.100
Balance, June 30, 2011	1,150,000	$0.209
Granted	1,275,000	$0.010
Expired	(725,000)	$0.273
Balance, June 30, 2012	1,700,000	$0.101

Options outstanding and exercisable at June 30, 2012 were as follows:

Expiry Date	Number of Options	Exercise Price
October 25, 2015	425,000	$0.100
September 16, 2016	50,000	$0.150
June 12, 2017	1,225,000	$0.100
Balance, June 30, 2012	1,700,000	

The weighted average life of the options outstanding and exercisable at June 30, 2012 is 4.5 years (2011 – 2.2 years).

(Expressed in Canadian Dollars)

6. Management of Capital

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity.

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.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

7. Financial Instruments

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

The Company's financial instruments consist of cash and cash equivalents, accounts payable and amount due to related parties. The fair value of these financial instruments approximates the carrying value because of the short-term nature of these instruments.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

		June 30 2012		June 30 2011		July 1 2010
Assets as FVTPL (i)	$	209,429	$	210,348	$	371,878
Other financial liabilities (ii)	$	3,283	$	29,290	$	80,950

(i) Cash and cash equivalents
(ii) Accounts payable and amounts due to related parties

Fair Value

The estimated fair values of cash and cash equivalents, accounts payable and amounts due to related parties approximate their respective carrying values due to the short periods to maturity. For fair value estimates, the Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1– Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

(Expressed in Canadian Dollars)

7. Financial Instruments (continued)

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
June 30, 2012				
Cash and cash equivalents	$ 209,429	$ -	$ -	$ 209,429
June 30, 2011				
Cash and cash equivalents	$ 210,348	$ -	$ -	$ 210,348
June 30, 2010				
Cash and cash equivalents	$ 371,878	$ -	$ -	$ 371,878

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

Credit Risk

The Company is not exposed to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial paper.

Foreign Exchange Risk

During the year ended June 30, 2012, the Company incurred expenses primarily in Canada. The Company does not have significant foreign exchange risk.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

8. Income Taxes

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2012	2011
Canadian combined statutory rates	25.75%	27.50%
Income taxes (recovery) at combined tax rates	$ (97,300)	$ (44,000)
Non-deductible items	26,600	7,000
Income tax rate changes	2,000	3,000
Deferred tax assets not recognized	68,700	34,000
Deferred income tax recovery	$ –	$ –

(Expressed in Canadian Dollars)

8. Income Taxes (continued)

At June 30, 2012 and 2011, the amount of deductible temporary differences for which no deferred tax asset is recognized in the statements of financial position is as follows:

	2012		2011	
	Temporary Difference $	Tax Effect $	Temporary Difference $	Tax Effect $
Non-capital losses	2,185,000	546,000	1,911,000	477,000
Capital losses	607,000	152,000	607,000	152,000
Mineral properties and other assets	196,000	49,000	196,000	49,000
	2,988,000	747,000	2,714,000	678,000

The Company has non-capital losses for income tax purposes of approximately $2,185,000 (2011 - $1,911,000) which may be carried forward and offset against future taxable income. These losses expire from 2014 to 2032.

In assessing if deferred income tax assets are realizable, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax assets considered realizable could change materially in the near term based on future taxable income during the carry forward period.

9. Transition to IFRS

As stated in Note 2, these are the Company's first annual financial statements prepared in accordance with IFRS. The accounting policies in Note 2 have been applied in preparing the financial statements for the year ended June 30, 2012, the comparative information for the year ended June 30, 2011 and the preparation of an opening IFRS statement of financial position on the Transition Date, July 1, 2010.

This note explains the principal adjustments made by the Company in restating its Canadian GAAP statement of financial position as at July 1, 2010 and the financial statements for the year ended June 30, 2011. The Company does not have adjustments to amounts reported previously in the statement of financial position as at July 1, 2010 and the statements of comprehensive loss and cash flows for the year ended June 30, 2011 prepared in accordance with Canadian GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position as at June 30, 2011 is set out in the following tables.

IFRS 1, First-time Adoption of International Reporting Standards, provides for certain mandatory exceptions and optional transition exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions to its opening statement of financial position as at July 1, 2010:

(a) Business Combinations - Under IFRS 1, an entity has the option to retroactively apply IFRS 3, Business Combinations, to all business combinations or may elect to apply the standard prospectively only to those business combinations that occur after the date of transition. The Company has elected this exemption under IFRS 1, which removes the requirement to retrospectively restate all business combinations prior to the date of transition to IFRS.

(Expressed in Canadian Dollars)

9. Transition to IFRS (continued)

(b) Share-based payments - IFRS 1 permits the Company to apply IFRS 2, Share-based payments, only to awards granted on or after the transition date. The Company is also required to apply IFRS 2 to equity instruments that were granted after November 7, 2002 that vests after the date of transition to IFRS. Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the estimated lives of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. The Company has elected this exemption under IFRS 1.

(c) Property, plant, and equipment – IFRS 1 provides the Company the option to measure property, plant and equipment, at deemed cost being the fair value of the assets as at the date of transition. The Company has elected to measure items of property, plant, and equipment at historical cost, less accumulated depreciation.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position as at January 1, 2010:

(d) Estimates

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 Canadian GAAP estimates for that date.

Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods. The Company's first time adoption to IFRS did not have any effect and therefore no changes to the equity as at July 1, 2010 and comprehensive loss and cash flows for the year ended June 30, 2011.

The following represents the reconciliations from Canadian GAAP to IFRS for the equity as at June 30, 2011:

		June 30, 2011		
	Note	Canadian GAAP Balance	IFRS adjustments	IFRS Balance
		$	$	$
Total assets		224,200	-	224,200
Total liabilities		29,290	-	29,290
SHAREHOLDERS' EQUITY				
Share capital	i	1,075,196	957,189	2,032,385
Contributed surplus	i	3,148,419	(957,189)	2,191,230
Deficit		(4,028,705)	-	(4,028,705)
		194,910	-	194,910
		224,200	-	224,200

9. Transition to IFRS (continued)

Notes to Reconciliation

i) On November 3, 2010, 15,104,760 shares were returned to the Company for cancellation (See Note 5). Pursuant to the CICA Handbook Section 3240, Share Capital, the average per share capital attributable to these shares in the amount of $957,189 was deducted from share capital with a corresponding increase in contributed surplus. As no consideration was paid or received to cancel the shares, pursuant to IAS 32, Financial Instruments: Presentation, the carrying amount of the share capital should not be adjusted.

10. Subsequent event

On August 2, 2012, the Company closed a non-brokered private placement offering of $200,000 announced on June 21, 2012. A total of 2,000,000 common shares were issued at a price of $0.10 per share.