TRI-RIVER VENTURES INC.

(the "Company")

Interim Consolidated Financial Statements

June 30, 2012

Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the Company's interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the Company's management.

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

Tri-River Ventures Inc.
Consolidated statements of financial position
(Expressed in Canadian dollars)
(Unaudited – prepared by management)

	Notes	June 30, 2012	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 1,237,291	$ 1,402,363
Prepaids		192	194
Interests receivables	6	541,779	-
Sales tax receivables		39,224	27,080
		1,818,486	1,429,637
Non-current assets			
Acquisition advances	6	4,599,805	4,599,805
Equipment	5	12,537	14,774
Exploration and evaluation assets	6	2,889,254	2,881,399
		7,501,596	7,495,978
TOTAL ASSETS		**$ 9,320,082**	**$ 8,925,615**
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities		$ -	$ 15,000
Due to related parties		2,522	2,522
TOTAL LIABILIITES		**2,522**	**17,522**
SHAREHOLDERS' EQUITY			
Share capital	7	15,710,584	15,710,584
Reserves		164,339	164,339
Deficit		(6,505,648)	(6,915,826)
		9,369,275	**8,959,097**
Non-controlling interest		**(51,715)**	**(51,004)**
TOTAL EQUITY		**9,317,560**	**8,908,093**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 9,320,082**	**$ 8,925,615**

Approved on behalf of the Board:

Jay Chmelauskas Y.B. Ian He

Tri-River Ventures Inc.
Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)
(Unaudited – prepared by management)

	Notes	Three month periods ended June 30, 2012	Three month periods ended June 30, 2011	Six month periods ended June 30, 2012	Six month periods ended June 30, 2011
Expenses					
Amortization	5	$ 1,240	$ 1,629	$ 2,265	$ 3,567
Foreign exchange loss (gain)		(2,309)	(44)	1,897	3,974
Management and consulting fees	8	34,000	30,000	68,760	60,000
Office and miscellaneous		9,745	18,844	26,162	31,300
Professional fees	8	5,101	25,385	10,895	66,689
Salaries and wages		7,083	19,903	10,442	30,290
Travel		9,779	23,744	18,748	49,373
		(64,639)	(119,461)	(139,169)	(245,193)
Other items					
Interest income		548,637	14,114	548,637	32,937
Gain/Loss before non-controlling interest		483,998	(105,347)	409,468	(212,256)
Non-controlling interest		322	-	712	-
Comprehensive loss		**$ 484,320**	**$ (105,347)**	**$ 410,180**	**$ (212,256)**
Loss per share – basic and diluted		**$ Nil**	**$ Nil**	**$ Nil**	**$ Nil**

Tri-River Ventures Inc.
Consolidated statements of changes in shareholders' equity
(Expressed in Canadian dollars)
(Unaudited – prepared by management)

		Share capital					
	Notes	Number of shares	Amount	Share-based payment reserve	Non-controlling interest	Deficit	Total
Restated balance at January 1, 2010	11	**20,695,431**	**$ 11,123,786**	**$ 79,885**	**$ -**	**$ (5,192,494)**	**$ 6,011,177**
Shares issued for cash – private placement		12,000,000	4,800,000	-	-	-	4,800,000
Share issue costs (net of tax)		-	(213,202)	-	-	-	(213,202)
Share-based payments		-	-	84,454	-	-	84,454
Non-controlling interest		-	-	-	(1,960)	-	(1,960)
Comprehensive loss		-	-	-	-	(441,356)	(441,356)
Restated balance at December 31, 2010	11	**32,695,431**	**15,710,584**	**164,339**	**(1,960)**	**(5,633,850)**	**10,239,113**
Non-controlling interest					**(5,949)**	**-**	**(5,949)**
Comprehensive loss						**(212,256)**	**(212,256)**
Restated balance at June 30, 2011		**32,695,431**	**15,710,584**	**164,339**	**(7,909)**	**(5,845,106)**	**10,020,908**
Non-controlling interest		-	-	-	(43,095)	-	(43,095)
Comprehensive loss		-	-	-	-	(1,069,720)	(1,069,720)
Restated balance at December 31, 2011		**32,695,431**	**$ 15,710,584**	**$ 164,339**	**$ (51,004)**	**$ (6,915,826)**	**$ 8,908,093**
Non-controlling interest		-	-	-	(712)	-	(712)
Comprehensive loss		-	-	-	-	(410,180)	(410,180)
Restated balance at June 30, 2012		**32,695,431**	**$ 15,710,584**	**$ 164,339**	**$ (51,716)**	**$ (6,505,648)**	**$ 9,317,560**

Tri-River Ventures Inc.
Consolidated statements of cash flows
(Expressed in Canadian dollars)
(Unaudited – prepared by management)

	Three month periods ended		Six month periods ended	
	June 30, 2012	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**
Operating activities				
Income (Loss) before income taxes	$ 484,320	$ (105,347)	$ 410,180	$ (212,256)
Income taxes paid	-	-	-	-
Adjustments for non-cash items:				
Amortization	1,240	1,629	2,237	3,567
Non-controlling interest	(322)	-	(712)	-
Deduct interest income relating to investing activities	(548,637)	(14,114)	(548,637)	(32,937)
Changes in non-cash working capital items:				
Accounts receivable	(547,687)	23,697	(553,921)	18,735
Prepaid expenses	-	(10,446)	-	(10,446)
Trade payables and accrued liabilities	(2,691)	(14,970)	(16,897)	(56,156)
Net cash flows from (used in) operating activities	$ (613,777)	$ (119,551)	$ (707,750)	$ (289,493)
Investing activities				
Expenditures on exploration and evaluation assets	(7,855)	(3,575)	(7,855)	(3,575)
Interest income	548,637	14,114	548,637	32,937
Payment to acquisition	-	(4,443,260)	-	(4,443,260)
Net cash flows from (used in) investing activities	$ 540,782	$ (4,432,721)	$ 540,782	$ (4,413,898)
Financing activities				
Proceeds on issuance of common shares - net of share issue costs	-	-	-	-
Net cash flows from (used in) financing activities	-	-	-	-
Increase (decrease) in cash and cash quivalents	$ (72,995)	$ (4,552,272)	$ (166,969)	$ (4,703,389)
Effect of exchange rates on cash holdings in foreign currencies	(2,309)	(44)	1,897	3,974
Cash and cash equivalents, beginning	1,312,595	6,261,180	1 ,402,363	6,408,279
Cash and cash equivalents, ending	$ 1,237,291	$ 1,708,864	$ 1,237,291	$ 1,708,864

See accompanying notes to the consolidated financial statements

1. Nature and continuance of operations

Tri-River Ventures Inc. (the "Company") was incorporated on March 9, 1992, under the laws of the province of Alberta, Canada, was continued under the laws of British Columbia ("BC"), Canada on July 12, 2005. Its principal activity is the acquisition and exploration of mineral properties. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "TVR".

The head office and principal address of the Company are located at 2300-1066 West Hastings Street, Vancouver, British Columbia, Canada. The records office of the Company is located at 2110 28th Street, West Vancouver, British Columbia, Canada.

These unaudited interim consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2012 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from and/or raise equity capital or borrowings sufficient to meet current and future obligations.

2. Significant accounting policies and basis of preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 - Interim Financial Reporting and IFRS 1 – First-time Adoption of IFRS. The accounting policies followed in these interim financial statements are the same as those applied in the Company's interim consolidated financial statements for the period ended June 30, 2012. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 11 discloses the impact of the transition to IFRS on the Company's reported equity as at June 30, 2012 and the Company's loss and comprehensive loss and cash flow for the three months ended June 30, 2012, including the nature and effect of significant changes in accounting policies from those used in the Company's interim financial statements for the period ended June 30, 2012.

The financial statements were authorized for issue on April 30, 2012 by the directors of the Company.

The accounting policies applied in these interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2012. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2012 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. The interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2011, and the Company's interim consolidated financial statements for the quarter ended June 30, 2012, prepared in accordance with IFRS.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

(Expressed in Canadian dollars)

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of property, plant and equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

3. Accounting standards issued but not yet effective

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, 'Consolidated Financial Statements', IFRS 11, 'Joint Arrangements', IFRS 12, 'Disclosure of Interests in Other Entities', IAS 27, 'Separate Financial Statements', IFRS 13, 'Fair Value Measurement' and amended IAS 28, 'Investments in Associates and Joint Ventures'. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

4. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

		June 30, 2012		**December 31, 2011**
Cash in bank	$	263,337	$	302,363
Guaranteed investment certificates	$	973,953		1,100,000
	$	1,237,291	$	1,402,363

5. Property, plant and equipment

		Motor vehicles		**Computer equipment**		**Drilling and exploration equipment**		**Office equipment and furniture**		**Total**
Cost:										
At December 31, 2011	$	11,414	$	466	$	739	$	2,183	$	14,802
Additions		-		-		-		-		-
Disposals		-		-		-		-		-
At June 30, 2012	$	11,414	$	466	$	739	$	2,183	$	14,802
Acc. Amortization:										
At June 30, 2012		-		-		-		-		-
Charge for the period		(1,892)		(56)		(89)		(229)		(2,265)
Eliminated on disposal		-		-		-		-		-
At June 30, 2012		**9,522**		**410**		**650**		**1,954**		**12,537**

(Expressed in Canadian dollars)

6. Exploration and evaluation assets

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

	China Lianlong project	Total for six month period ended June, 2012
Property acquisition costs		
Balance, beginning of period	$ 2,881,399	$ 2,881,399
Additions	-	-
Proceeds from farm outs	-	-
Write-down due to impairment	-	-
Balance, end of period	$ 2,881,399	$ 2,881,399
Exploration and evaluation costs		
Balance, beginning of period	$ -	$ -
Costs incurred during period:		
Field and camp costs	-	-
Geological consulting	7,855	7,855
	7,855	7,855
Balance, end of period	$ 2,889,254	$ 2,889,254

During the year ended December 31, 2011, the Company recorded an impairment of $960,466 to write down the property to management's estimated fair value.

Potash Property, Saskatchewan, Canada

On March 22, 2011, the Company entered into a Share Exchange Agreement ("Share Exchange Agreement") with Strong Rising International Limited ("Strong Rising") to acquire Strong Rising's wholly owned subsidiary, Taiji Resources Ltd. ("Taiji"), a private company incorporated in the province of Saskatchewan. Taiji owns potash properties in Saskatchewan. The Company has agreed to acquire all of the 10,000,000 issued and outstanding shares of Taiji in exchange for 11,360,000 shares of the Company.

The closing of the Agreement is subject to several conditions including obtaining the approvals from shareholders and the TSX-V, completion of a National Instrument 43-101 technical report on Taiji's potash properties, completion of an audit of Taiji's financial statements for its most recent fiscal year, sufficient evidence of value and completion of due diligence satisfactory to Company management. At June 30, 2012, the Share Exchange Agreement has not closed.

Lenghu Potash, Qinghai, China

On March 31, 2011, the Company entered into a Purchase and Sale Option Agreement ("Option Agreement") with Sino Spirit Capital Investment Holding Limited ("Sino Investment") to acquire Sino's 100% equity interest in Sino Spirit Group Limited ("Sino Group") which owns a 60% equity interest in Qinghai Lenghu Kunhu Potash Company Ltd. ("Lenghu Potash"). Lenghu Potash owns a mining permit in Qinghai Province of the People's Republic of China, covering a contiguous area of 23.8 km2 in the centre of the Kunteyi Salt Lake area, which has a total area of about 200 km^2. Potash is currently produced from this property. Consideration consists of cash payments of $12,605,000 (RMB78,000,000) in three installments and share issuances having an aggregate value of up to $4,848,000 (RMB30 million). The first refundable installment of $4,443,260 (RMB30,000,000) was made during the year ended December 31, 2011. This transaction is subject to approvals from shareholders and the TSX-V, audited financial statements, a National Instrument 43-101 technical report on the key property, and a business plan.

On April 20, 2012, the Option Agreement was amended to include the following: extension of the due date of the second deposit until the later of the closing of a financing to pay for the second deposit of $4,848,000 (RMB30,000,000) or the date of the definitive agreement is signed; and a profit sharing arrangement between the Company and Lenghu Potash, in consideration of the use of the first refundable deposit. Lenghu Potash agreed to allocate 16.67% of its profits or a minimum of $526,000 (RMB3,334,000) to the Company starting from 2011 until the date the definitive agreement is signed. The Company's share of profits will be recognized upon receipt.

On June 27, 2012, the company announced that an interest payment of RMB3.334 million(CAD541,779) in connection with the fiscal year ended December 31, 2011 was due May 31, 2012. Sino Spirit Capital Investment Holding Limited ("Sino Investment") requested a postponement of this interest payment until August 30, 2012.

The reasons given by Sino Investment for the delay were that:

1. Sino Investment took over the operatorship of the Lenghu potash operation in May 2011

with such operation at the pre-start-up stage;

2. Production of potash only commenced in September 2011, as Sino Investment spent

substantial funds and time to refurbish the processing plant and overhaul equipment;

3. Due to the seasonality of the fertilizer business and a resultant weak market, the potash

produced for the fiscal year ended May 31, 2012 was stockpiled and unsold up to May

31, 2012, waiting for higher prices;

4. Sino Investment has also devoted significant cash to the construction of a new

processing plant using a new brine exchange technology, which can produce high grade

potash (>95% KCl), in supplement to the existing flotation plant.

The Company has agreed to the postponement.

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At June 30, 2012 there were 32,695,431 issued and fully paid common shares (December 31, 2011 – 32,695,431).

Private placements

On November 16, 2010, the Company completed a non-brokered private placement of 12,000,000 units at $0.40 per unit for gross proceeds of $4,800,000. Each unit consists of one common share of the Company and one-half of a share purchase warrant. For every warrant held, the holder is entitled to purchase one additional common share in the capital of the Company at $0.60 per share for a two-year period.

(Expressed in Canadian dollars)

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

Options granted typically vest one-third per year on each anniversary subsequent to the grant date.

The changes in options during the three month period ended September 30, 2011 and the year ended December 31, 2010 are as follows:

	June 30, 2012		December 31, 2011	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning	880,000	$ 0. 40	1,280,000	$ 0.340
Options granted	-	-	-	-
Options expired	-	-	(400,000)	0.205
Options outstanding, ending	880,000	$ 0.40	880,000	$ 0.40
Options exercisable, ending	880,000	$ 0.40	880,000	$ 0.40

Details of options outstanding as at June 30, 2012 are as follows:

Weighted average exercise price	**Weighted average contractual life**	**Number of options outstanding**
$0.40	3.45 years	880,000

Share purchase warrants

	Number of Warrants Outstanding	Weighted Average Exercise Price	Expiry Date
Balance, December 31, 2009	6,830,000	$ 0.50	January 9, 2014
Issued November 16, 2010	6,000,000	0.60	November 16, 2012
Balance, June 30, 2012	12,830,000	$ 0.55	

Stock option reserve

(Expressed in Canadian dollars)

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of subsidiaries of the Company that have a functional currency other than the Canadian dollar.

Investment revaluation reserve

The investment revaluation reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses.

8. Related party transactions

The Company incurred the following transactions with companies that are controlled by directors of the Company.

	Three months ended	
	June 30, 2012	**June 30, 2011**
Professional fees	$ -	$ -
Management fees	30,000	30,000
Consulting fees	3,000	3,000
	$ 33,000	$ 34,070

Key management personnel compensation

	Three months ended	
	June 30, 2012	**June 30, 2011**
Short-term employee benefits – management fees	$ 30,000	$ 30,000
Short-term employee benefits – consulting fees	3,000	3,000
Short-term employee benefits – share-based payments	-	-
	$ 33,000	$ 33,000

As at June 30, 2012, the Company had amounts owed to directors in the amount of $2,522. Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

9. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and China. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's Chinese subsidiary is exposed to currency risk as it incurs expenditures that are denominated in Chinese Yuan. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in Chinese Yuan:

	June 30, 2012	**December 31, 2011**
Cash and cash equivalents	$ 207,998	$ 227,845
Accounts receivable	-	-
Accounts payable	-	-
	$ 207,998	$ 285,933

Based on the above net exposures, as at June 30, 2012, a 10% change in the Chinese Yuan to Canadian dollar exchange rate would impact the Company's net loss by $20,800.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of $9,740..

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

(Expressed in Canadian dollars)

	June 30 2012	December 31, 2011
Cash and cash equivalents	$ 1,237,291	$ 1,402,363

Financial liabilities included in the statement of financial position are as follows:

	June 30, 2012	December 31, 2011
Trade payables and accrued liabilities	$ 2,522	$ 17,522

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

10. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral assets.

At June 30, 2012, the Company's exploration and evaluation mineral assets are located in China.

11. Transition to IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first interim financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", January 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2010.

- IAS 21 "The Effects of Changes in Foreign Exchange Rates" has not been applied to cumulative translation differences that existed at the date of transition to IFRS. The Company has eliminated the cumulative translation difference and adjusted retained earnings by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.

- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" has been applied prospectively to all provisions for restoration and environmental obligations that are within the scope of International Financial Reporting Interpretations Committee ("IFRIC") "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The Company has:
  - re-measured the liabilities as at January 1, 2010 in accordance with IAS 37;
  - estimated the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rates that would have applied for that liability over the intervening period; and
  - calculate the accumulated depreciation on that amount, as at January 1, 2010, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity.
- The Company has applied the transitional provision in IFRIC 4 "Determining whether an Arrangement contains a Lease" and has assessed all arrangements as at January 1, 2010.

Notes to reconciliations

a) Share-based payments

The Company grants stock options that have a graded vesting schedule. Under Canadian GAAP, the Company accounted for grants of options with graded vesting as a single award and determined the fair value using the average life of the options granted. Stock-based compensation was recognized on a straight-line basis over the total vesting period. Under IFRS, the Company treats each installment as its own award. Therefore, each installment is measured and recognized separately.

On transition to IFRS the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

b) Interest income

Under Canadian GAAP, the Company classified interest income as operating activities. Under IFRS, interest income has been reclassified as an investing activity.

(Expressed in Canadian dollars - unaudited)

Reconciliation of assets		**As at December 31, 2010**			**As at January 1, 2010**		
Assets	**Notes**	**Canadian GAAP**	**Effect of Transition**	**IFRS**	**Canadian GAAP**	**Effect of Transition**	**IFRS**
Current Assets:							
Cash and cash equivalents		$ 6,408,279	-	$ 6,408,279	$ 2,237,893	-	$ 2,237,893
Other receivables		30,079	-	30,079	17,622	-	17,622
Prepaids		453	-	453	-	-	-
		6,438,811		6,438,811	2,255,515	-	2,255,515
Non-current assets:							
Equipment		21,543	-	21,543	31,630	-	31,630
Exploration and evaluation assets	11(b)	4,569,918	(736,456)	3,833,462	4,499,376	(736,456)	3,762,920
		4,591,461	(736,456)	3,855,005	4,531,006	(736,456)	3,794,550
Total Assets		**$11,030,272**	**$(736,456)**	**$10,293,816**	**$6,786,521**	**$(736,456)**	**$6,050,065**

Reconciliation of Liabilities and equity

		As at December 31, 2010			**As at January 1, 2010**		
Liabilities	**Notes**	**Canadian GAAP**	**Effect of Transition**	**IFRS**	**Canadian GAAP**	**Effect of Transition**	**IFRS**
Current liabilities							
Accounts payable		$52,181	-	$52,181	$21,000	-	$21,000
Related parties		2,522	-	2,522	17,888	-	17,888
		54,703	-	54,703	38,888	-	38,888
Deferred income tax liability	11(b)	619,650	(619,650)	-	727,531	(727,531)	-
Total Liabilities		674,353	(619,650)	54,703	766,419	(727,531)	38,888
Equity							
Share Capital		15,710,584	-	15,710,584	11,123,786	-	11,123,786

(Expressed in Canadian dollars - unaudited)

Contributed surplus		164,339	(164,339)	-	79,885	-	79,885
Share based payment reserve		-	164,339	164,339	-	-	-
Deficit	11(b)	(5,519,004)	(116,806)	(5,635,810)	(5,183,569)	(8,925)	(5,192,494)
Total Equity		10,355,919	(116,806)	10,293,113	6,020,102	(8,925)	6,011,177
Total Equity and Liabilities		**$11,030,272**	**$(736,456)**	**$10,293,816**	**$6,786,521**	**$(736,456)**	**$6,050,065**

Reconciliation of comprehensive loss

		As at December 31, 2010			As at January 1, 2010		
Expenses	**Notes**	**Canadian GAAP**	**Effect of Transition**	**IFRS**	**Canadian GAAP**	**Effect of Transition**	**IFRS**
Amortization		$ 10,087	$ -	$ 10,087	$ 13,268	$ -	$ 13,268
Consulting		26,025	-	26,025	26,619	-	26,619
Foreign exchange	11(b)	(94,180)	99,674	5,494	7,793	-	7,793
Interest		-	-	-	24,393	-	24,393
Management fees		120,000	-	120,000	90,000	-	90,000
Office and administrative		68,727	-	68,727	41,685	-	41,685
Professional fees		48,900	-	48,900	46,492	-	46,492
Salaries and wages		40,580	-	40,580	38,608	-	38,608
Stock based compensation		84,454	-	84,454	-	-	-
Travel expenses		69,846	-	69,846	37,860	-	37,860
		374,439	99,674	474,113	326,718	-	326,718
Other items							
Interest income		30,797	-	30,797	53,869	-	53,869
Gain on debt settlement		-	-	-	34,006	-	34,006
Deferred income tax recovery	11(b)	8,207	(8,207)	-	8,925	(8,925)	-
Comprehensive loss		**$ (335,435)**	**$(107,881)**	**$(443,316)**	**$(229,918)**	**$ (8,925)**	**$(238,843)**

(Expressed in Canadian dollars - unaudited)

Reconciliation of cash flows

		Year ended December 31, 2010		
Cash Flows from Operating Activities	**Notes**	**Canadian GAAP**	**Effect of Transition**	**IFRS**
Net loss	11(b)	$ (335,435)	$ (107,881)	$ (443,316)
Non-cash items:				
Amortization		10,087		10,087
Unrealized foreign exchange (gain) loss		(99,674)	99,674	-
Future income tax recovery		(8,207)	8,207	-
Stock based compensation		84,454		84,454
Deduct interest income	11(a)	-	(30,797)	(30,797)
Change in non-cash working capital:				
Other receivables		(12,457)	-	(12,457)
Prepaid expenses		(453)	-	(453)
Accounts payable and accrued liabilities		31,181	-	31,181
Due to related parties		(15,366)	-	(15,366)
Cash used in operating activities		(345,870)	(30,797)	(376,667)
Cash Flows from Financing Activities				
Share issuance, net		4,586,798	-	4,586,798
Cash provided from financing activities		4,586,798	-	4,586,798
Cash Flows from Investing Activities				
Exploration and evaluation assets		(70,542)	-	(70,542)
Interest income	11(a)	-	30,797	30,797
Cash used in investing activities		(70,542)	30,797	(39,745)
Increase in cash and cash equivalents		4,170,386	-	4,170,386
Cash and cash equivalents, beginning		2,237,893	-	2,237,893
Cash and cash equivalents, ending		6,408,279	-	6,408,279