NEWPORT EXPLORATION LTD.

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

FOR THE NINE MONTHS ENDED APRIL 30, 2012

The accompanying unaudited interim condensed financial statements of Newport Exploration Ltd. for the nine months ended April 30, 2012 have been prepared by management and approved by the Board of Directors of the Company. These unaudited interim condensed financial statements have not been reviewed by the Company’s external auditors.

NEWPORT EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)
As at

	April 30, 2012	July 31, 2011 (Note 15)
ASSETS		
Current		
Cash	$ 2,710,919	$ 5,490,870
Receivables (Note 4)	25,632	36,794
Prepaid expenses	1,498	1,171
Short-term investments	3,429,626	1,025,216
	6,167,675	6,554,051
Equipment (Note 5)	2,555	3,228
Exploration and evaluation asset (Note 6)	99,001	37,642
	$ 6,269,231	$ 6,594,921
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 60,572	$ 45,758
Equity		
Share capital (Note 9)	42,343,096	42,343,096
Reserves (Note 9)	1,173,038	1,173,038
Deficit	(37,307,475)	(36,966,971)
	6,208,659	6,549,163
	$ 6,269,231	$ 6,594,921

Nature and continuance of operations (Note 1)
Commitments (Note 14)

Approved and authorized by the Board on June 29, 2012.

"Ian Rozier" Director — Ian Rozier

"Barbara Dunfield" Director — Barbara Dunfield

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

NEWPORT EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011	Nine Months Ended April 30, 2012	Nine Months Ended April 30, 2011 (Note 15)
EXPENSES				
Administration fees	$ 3,750	$ 3,750	$ 11,250	$ 11,250
Amortization	207	283	673	920
Consulting fees	51,000	51,000	155,500	155,500
Directors' fees	5,000	5,000	15,000	15,000
Foreign exchange loss (gain)	118	(1,559)	238	(1,559)
Management fees	30,000	30,000	90,000	90,000
Office and miscellaneous	2,432	2,663	19,807	7,939
Professional fees	16,963	4,380	42,683	18,435
Property investigation costs	-	-	-	14,890
Rent	18,150	17,050	54,450	50,050
Shareholder communications	541	650	2,997	3,227
Transfer agent and filing fees	6,188	7,843	14,179	16,748
Travel and related costs	3,974	-	3,974	-
	(138,323)	(121,060)	(410,751)	(382,400)
OTHER ITEMS				
Interest income	22,872	20,840	64,782	60,622
Petroleum royalty (Note 7)	5,465	38,716	5,465	38,716
	28,337	59,556	70,247	99,338
Loss and comprehensive loss for the period	$ (109,986)	$ (61,504)	$ (340,504)	$ (283,062)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	54,922,874	54,922,874	54,922,874	54,922,874

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

NEWPORT EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	Nine Months Ended April 30, 2012	Nine Months Ended April 30, 2011 (Note 15)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (340,504)	$ (283,062)
Item not affecting cash:		
Amortization	673	920
Changes in non-cash working capital items:		
(Increase) decrease in receivables	11,162	(40,766)
Increase in prepaid expenses	(327)	(679)
Decrease in accounts payable and accrued liabilities	(32,895)	(42,013)
Net cash used in operating activities	(361,891)	(365,600)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation asset	(13,650)	-
Short-term investments	(2,404,410)	-
Net cash used in investing activities	(2,418,060)	-
Decrease in cash for the period	(2,779,951)	(365,600)
Cash, beginning of period	5,490,870	6,962,715
Cash, end of period	$ 2,710,919	$ 6,597,115
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 11)

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

NEWPORT EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Capital Stock				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance at July 31, 2010	54,922,874	$ 42,343,096	$ 1,173,038	$ (36,580,452)	$ 6,935,682
Loss for the period	-	-	-	(283,062)	(283,062)
Balance at April 30, 2011	54,922,874	$ 42,343,096	$ 1,173,038	$ (36,863,514)	$ 6,652,620
Balance at July 31, 2011	54,922,874	$ 42,343,096	$ 1,173,038	$ (36,966,971)	$ 6,549,163
Loss for the period	-	-	-	(340,504)	(340,504)
Balance at April 30, 2012	54,922,874	$ 42,343,096	$ 1,173,038	$ (37,307,475)	$ 6,208,659

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Newport Exploration Ltd. (the “Company”) was incorporated on September 19, 1979 under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to its evaluation and exploration assets. Based on the information available to date, the Company has not yet determined whether its exploration and evaluation assets contain ore reserves.

The Company’s head office, principal address and registered and records office is 408 – 837 West Hastings Street, Vancouver, British Columbia, Canada, V6C 3N6. To date the Company has not earned operating revenue.

The recovery of the amounts comprising exploration and evaluation assets 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 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 exploration and evaluation assets 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.

The 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 through fiscal 2013.

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

Statement of Compliance

These condensed interim financial statements, including comparatives, are unaudited and have been prepared in accordance with International Accounting 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 August 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 15. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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 exploration and evaluation assets, valuation of share-based payments, recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss for the period.

Financial instruments

Financial assets

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

Fair value through profit or loss ("FVTPL") - 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 unrealized gains and losses recognized in profit or loss. The Company's cash and equivalents are classified as FVTPL.

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. The Company's receivables are classified as loans and receivables.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets (cont'd…)

The Company has not classified any financial assets as available-for-sale.

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.

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. The Company has not classified and financial liabilities as FVTPL.

Other financial liabilities: This category consists of liabilities initially recognized at fair value less directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method. The company's accounts payable and accrued liabilities are classified as other financial liabilities.

Short-term investments

Short-term investments include Canadian guaranteed investment certificates with a major Canadian Banking Institution. These investments are stated at cost plus accrued interest and their carrying value approximates their fair value.

Exploration and evaluation assets

Costs directly related to exploration and evaluation assets are capitalized once the legal rights to explore the exploration and evaluation asset has acquired or obtained. When the technical and commercial viability of exploration and evaluation assets have been demonstrated and a development decision has been made, the capitalized costs of the related asset are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized exploration and evaluation assets are not recoverable, or the asset is abandoned or management has determined an impairment in value, the asset is written down to its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 exploration and evaluation assets 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.

Loss per share

Loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. 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 and compensatory warrants 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 and the fair value of the options is reclassified from reserves to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as of April 30, 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.

Financial instruments disclosure
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 February 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact 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 financial statements.

Income taxes
In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provides 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 financial statements.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards yet adopted (cont'd…)

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 financial statements.

4. RECEIVABLES

Trade and other receivables are comprised of the following:

	April 30, 2012	July 31, 2011
HST receivable	$ 20,177	$ 17,666
Petroleum royalty	5,347	16,442
Other receivable	108	2,686
Total	$ 25,632	$ 36,794

5. EQUIPMENT

	Furniture and fixtures	Computer equipment	Total
Cost			
Balance, August 1, 2010, July 31, 2011 and April 30, 2012	$ 21,758	$ 41,079	$ 62,837
Accumulated amortization			
Balance, August 1, 2010	$ 20,484	$ 37,943	$ 58,427
Amortization	342	840	1,182
Balance, July 31, 2011	20,826	38,783	59,609
Amortization	194	479	673
Balance, April 30, 2012	$ 21,020	$ 39,262	$ 60,282
Carrying amounts			
As at July 31, 2011	$ 932	$ 2,296	$ 3,228
As at April 30, 2012	$ 738	$ 1,817	$ 2,555

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION OF ASSET

During the year ended July 31, 2011, the Company entered into an agreement with Reva Resources Corp. ("Reva"), whereby the Company can earn a 50% interest in Reva's Chu Chua massive sulphide deposit ("Chu Chua") located north of Kamloops, British Columbia. In order to earn the 50% interest, the Company, on or before December 31, 2012, will need to carry out, and fund the estimated $1,070,000 costs of the recommended work program on Chu Chua. Additionally, there are two separate 1% net smelter returns to underlying parties. Two significant shareholders of Reva are directors of the Company. During the year ended July 31, 2011, the Company incurred $37,642 in geological consulting expenditures. During the nine months ended April 30, 2012, the Company incurred $56,359 in geological consulting expenditures and paid $5,000 as a security deposit.

7. PETROLUEM ROYALTY

Under the terms of an agreement over the sale of CVL Resources (Barbados) Ltd. (formerly a wholly-owned subsidiary of the Company) in 2002, the Company retained a 2.5% royalty for any hydrocarbons discovered on certain petroleum exploration permits in Australia. During the nine months ended April 30, 2012, the Company earned $5,347 (2011 - $38,716) of petroleum royalty and as at January 31, 2012, the Company had $5,347 (July 31, 2011 - $16,442) included in receivables.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2012	July 31, 2011
Trade payables	$ 57,239	$ 22,425
Amount owing to a related party (Note 10)	3,333	3,333
Accrued liabilities	-	20,000
Total	$ 60,572	$ 45,758

The average credit period of purchases is one month. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital and reserves

As at April 30, 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.

Reserves relate to stock options and compensatory warrants that have been issued by the Company.

(Expressed in Canadian Dollars)

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

b) Stock options

The Company has an incentive stock options plan in place under which it is authorized to grant options to directors and employees to acquire up to 5,492,287 of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

As at April 30, 2012, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
5,450,000	$0.10	December 18, 2013

There were no stock options granted in fiscal 2011 or during the nine months ended April 30, 2012.

c) Warrants

As at and during the period ended April 30, 2012 and July 31, 2011, there were no share purchase warrants issued or outstanding.

10. RELATED PARTY TRANSACTIONS

During the nine months ended April 30, 2012, the Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $135,000 (2011 - $135,000) to a company controlled by a director.

b) Paid or accrued management fees of $90,000 (2011 - $90,000) to company controlled by a director.

c) Paid or accrued rent of $54,450 (2011 - $50,050) to a company controlled by a director.

d) Paid or accrued director fees of $15,000 (2011 - $15,000) to a director of the Company.

e) Paid or accrued professional fees of $24,353 (2011 - $5,433) to a legal firm of which an officer of the Company is a partner.

f) Paid or accrued consulting fees of $18,000 (2011 - $18,000) to a company controlled by a director and to a company controlled by the spouse of a director.

As at April 30, 2012, receivables included $Nil (July 31, 2011 - $2,686) owed by a company with common directors.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (cont'd…)

As at April 30, 2012, accounts payable and accrued liabilities included $3,333 (July 31, 2011 - $3,333) owing to a director of the Company.

Key management personnel compensation (including senior officers and directors of the Company):

	Nine months ended	
	April 30, 2012	April 30, 2011
Short-term benefits	$ 279,450	$ 275,050

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

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing activity during the nine months ended April 30, 2012 was the accrual of $47,709 of exploration and evaluation expenditures included in accounts payable and accrued liabilities.

There were no significant non-cash transactions for the nine months ended April 30, 2011.

12. SEGMENT INFORMATION

The Company operates in one business segment being the acquisition and exploration of resource properties. The Company's evaluation and exploration asset is held in Canada.

13. 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 short-term investment, receivables and accounts payable and accrued liabilities approximate their carrying values. 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:

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

Credit risk

The Company's cash is mainly held at large Canadian financial institutions and as at April 30, 2012 is mainly held in interest bearing accounts. The Company's receivables are mainly HST recoverable from the Canadian government and its petroleum royalty. The maximum exposure to credit risk is the equivalent of the cash and receivables on the balance sheet of the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at April 30, 2012, the Company had a cash balance of $2,710,919 (July 31, 2011 - $5,490,870) and short-term investments of $3,429,626 (July 31, 2011 - $1,025,216) to settle current liabilities of $60,572 (July 31, 2011 - $45,758). The Company manages liquidity risk through the management of its capital resources as outlined below.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The effect of a 1% change in interest rates is approximately $61,000.

b) Foreign currency risk

The Company is exposed to foreign currency risk related to receivables and royalty income that are denominated in Australian dollars. Management believes the risk is currently insignificant as most transactions are denominated in Canadian dollars.

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its evaluation and exploration assets, acquire additional evaluation and exploration assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of 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, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

(Expressed in Canadian Dollars)

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

Capital Management (cont'd…)

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

14. COMMITMENTS

a) The Company leases office premises under an operating lease with a company controlled by a director. During the year ended July 31, 2009, the Company extended the term of its operating lease for an additional three year term, to expire in March 2012. The lease provides for basic lease payments of $6,050 per month to March 2012. During the nine months ended April 30, 2012, the Company extended the term of the operating lease for another three year term. The lease provides for basic lease payments as follows:

2012	$	18,150
2013		72,600
2014		72,600
2015		48,400
	$	211,750

b) The Company entered into management and consulting contracts with companies having directors in common. The Company has agreed to pay the companies a combined total of $25,000 per month. These contracts remain in force on a continuous basis. The contracts can be terminated by the Company by providing 90 days written notice. If termination of services is without cause, the Company will be obligated to pay 36 months of service fees to one director's company and 24 months to the other director's company.

15. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these condensed interim financial statements are for the period covered by the Company's third interim condensed financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the condensed statements of loss and comprehensive loss and cash flows for the period ended April 30, 2012 and 2011, and the condensed statements of financial position as at April 30, 2012, July 31, 2011 and the opening IFRS statement of financial position on August 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the condensed interim financial statements for the period ended April 30, 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 is set out in the following table. There was no effect on financial performance or cash flows. 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;

15. FIRST TIME ADOPTION OF IFRS (cont'd…)

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 August 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 loss and comprehensive loss and statements of cash flows for the period ended April 30, 2011 or for the statement of financial position as at July 31, 2011.