

Confederation Minerals Ltd.

Condensed Consolidated Interim Financial Statements

Second Quarter Ended December 31, 2011

(Unaudited, Prepared by Management)

CONFEDERATION MINERALS LTD.Condensed Consolidated Interim Statements of Operation and Comprehensive Loss
(Unaudited – Prepared by Management)

		Three Months Ended December 31, Six Months Ended December 31,			
	Notes	2011	2010	2011	2010
		\$	\$	\$	\$
General and administrative expenses					
Accounting and audit fees		25,140	3,220	25,140	15,720
Bank charges and interest		178	3,275	374	3,312
Consulting fees	10	216,650	41,250	426,165	82,500
Filing fees		14,960	5,617	22,703	6,867
Foreign exchange loss/(gain)		42	40	42	40
Office expenses		2,398	1,040	6,098	1,373
Shareholder information		15,904	5,009	20,036	5,234
Transfer agent fees		2,561	6,511	5,686	8,623
Insurance		2,268	-	4,199	-
Legal fees		19,883	-	23,240	-
Meals and entertainment		3,146	-	8,564	-
Share-based payments		(21,989)	44,405	144,589	44,405
Website development		550	5,000	1,400	5,000
Travel and accommodation		5,118	-	20,291	-
		(286,809)	(115,367)	(708,527)	(173,074)
Interest and miscellaneous income		22,474	-	51,957	-
Net loss from continuing operations		(264,335)	(115,367)	(656,570)	(173,074)
Net loss from discontinued operations		(2,753)	(6,695)	(23,956)	(7,912)
Net loss		(267,088)	(122,062)	(680,526)	(180,986)
Other comprehensive income (loss)					
Foreign currency translation difference from discontinued operation		17	(8,273)	17	(8,273)
Net loss and comprehensive loss for the period		(267,071)	(130,335)	(680,509)	(189,259)
Loss per share, basic and diluted		(0.01)	(0.01)	(0.02)	(0.01)
Weighted average common shares outstanding		45,174,993	15,795,946	44,953,520	15,692,811

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

CONFEDERATION MINERALS LTD.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash provided by (used in):				
Operating activities				
Net loss for the period	(267,088)	(122,062)	(680,526)	(180,986)
Items not involving cash:				
Share-based payments	(21,989)	44,405	144,589	44,405
(Gain)/loss on disposal of marketable securities	-	4,378	18,255	4,378
Foreign exchange	-	-	-	-
FIT expense	-	-	1,282	-
Changes in non-cash working capital:				
Receivables	30,888	(6,865)	(239,804)	(9,233)
Prepaid expenses	4,766	-	3,431	1,250
Accounts payable and accrued liabilities	20,176	66,901	(92,716)	105,874
Loan receivable	-	-	70,000	-
Proceeds from discontinued operations	52,585	(7,442)	(20,078)	(7,445)
	(180,662)	(20,685)	(795,567)	(41,757)
Investing activities:				
Mineral property interests	(2,435,069)	(3,798)	(4,546,372)	(3,798)
Proceeds used in discontinued operations	(10,509)	(17,599)	(112,019)	(22,135)
	(2,445,578)	(21,397)	(4,658,391)	(25,933)
Financing activities:				
Proceeds from shares issued	6,075	572,250	339,795	572,250
Redemption of short term investment	2,197,824	-	4,683,524	-
Proceeds from discontinued operations	5,378	-	86,180	-
	2,209,277	572,250	5,109,499	572,250
Net change in cash	(416,963)	530,168	(344,459)	504,560
Cash and cash equivalents, beginning of period	757,733	21,603	685,229	47,211
Cash and cash equivalents, end of period	340,770	551,771	340,770	551,771

Supplementary cash flow information (Note 12)

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

CONFEDERATION MINERALS LTD.

 Condensed Consolidated Interim Statements of Changes in Equity
 (Unaudited – Prepared by Management)

	Common Shares		Reserves		Deferred Share Based Payment	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Equity
	Number of Shares	Amount	Option Reserve	Warrant Reserve				
		\$	\$	\$	\$	\$	\$	\$
Balance on July 1, 2010	15,589,667	1,762,511	185,000	111,387	-	(1,282,329)	-	776,569
Common shares issued:								
Private placement	1,527,857	534,750	-	-	-	-	-	534,750
Finders shares issued in private placement	40,000	13,200	-	-	-	-	-	13,200
Share issuance costs	-	(32,174)	-	-	-	-	-	(32,174)
Premium on flow-through shares issued	-	(30,557)	-	-	-	-	-	(30,557)
Share-based payment	-	-	44,405	-	-	-	-	44,405
Fair value on agents warrants issued	-	-	-	18,974	-	-	-	18,974
Exercise of purchase warrants	150,000	37,500	-	-	-	-	-	37,500
Reallocation of fair value on warrants exercised	-	6,000	-	(6,000)	-	-	-	-
Loss for the period	-	-	-	-	-	(180,986)	-	(180,986)
Other comprehensive income (loss)	-	-	-	-	-	-	(8,273)	(8,273)
Balance on December 31, 2010	17,307,524	2,291,230	229,405	124,361	-	(1,463,315)	(8,273)	1,173,408
Private placement	25,140,757	13,408,446	-	-	-	-	-	13,408,446
Finders shares issued in private placement	439,392	121,030	-	-	-	-	-	121,030
Share issuance costs	-	(1,443,405)	-	-	-	-	-	(1,443,405)
Premium on flow-through shares issued	-	(275,000)	-	-	-	-	-	(275,000)
Issuance of shares for Newman Property	225,000	131,000	-	-	-	-	-	131,000
Issuance of shares for the finders fee for Newman Property	228,448	66,250	-	-	-	-	-	66,250
Share-based payment	-	-	635,461	-	(64,998)	-	-	570,463
Fair value on agents warrants issued	-	-	-	336,694	-	-	-	336,694
Exercise of agent's warrants	172,000	77,400	-	-	-	-	-	77,400
Exercise of purchase warrants	437,000	169,250	-	-	-	-	-	169,250
Reallocation of fair value on agents warrants exercised	-	23,582	-	(23,582)	-	-	-	-
Residual value applied on exercise of warrants	-	5,480	-	(5,480)	-	-	-	-
Exercise of stock options	400,000	187,059	(87,059)	-	-	-	-	100,000
Loss for the period	-	-	-	-	-	(1,656,047)	-	(1,656,047)
Other comprehensive income (loss)	-	-	-	-	-	-	(10,290)	(10,290)
Balance on June 30, 2011	44,350,121	14,762,322	777,807	431,993	(64,998)	(3,119,362)	(18,563)	12,769,199
Common shares issued:								
Issuance of shares for Newman Property	100,000	47,000	-	-	-	-	-	47,000
Exercise of agent's warrants	94,600	42,570	-	-	-	-	-	42,570
Exercise of purchase warrants	660,500	297,225	-	-	-	-	-	297,225
Reallocation of fair value on agents warrants exercised	-	12,787	-	(12,787)	-	-	-	-
Share-based payment	-	-	132,009	-	12,580	-	-	144,589
Loss for the period	-	-	-	-	-	(680,526)	-	(680,526)
Other comprehensive income (loss)	-	-	-	-	-	-	17	17
Balance on December 31, 2011	45,205,221	15,161,904	909,816	419,206	(52,418)	(3,799,888)	(18,546)	12,620,074

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

CONFEDERATION MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the Six months ended December 31, 2011
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

The Company was incorporated on November 3, 2005 under the Business Corporations Act (British Columbia) as “Medina Ventures Inc.”, changed its name to “Sienna Minerals Ltd.” on April 26, 2006 and changed its name to Confederation Minerals Ltd. on April 11, 2007. The Company’s principal business activity is the exploration of mineral properties.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company’s continuing operations, and the recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The financial information is presented in Canadian Dollars (CDN\$), which is the functional currency of the Company.

The head office and principal address of the Company are located at Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

2. SIGNIFICANT ACCOUNTING POLICIES

Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board (“AcSB”) confirmed in February 2008 that IFRS will replace Canadian Generally Accepted Accounting Policies (“CGAAP”) for publicly accountable enterprises for financial periods beginning on or after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian Securities regulatory authorities.

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

These are the Company’s second IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ending June 30, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with CGAAP.

Basis of Preparation

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

CONFEDERATION MINERALS LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for June 30, 2012, the Company's first annual reporting date.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at July 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 17.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and a 50% interest in American Potash LLC ("American Potash"), a Nevada limited liability corporation. The joint venture has been accounted for in the Company's consolidated financial statements using the proportionate consolidation basis, whereby the Company records on a line-by-line basis its proportionate share of the assets, liabilities, revenues and expenses of the investees. All intercompany balances and transactions are eliminated upon consolidation.

Interest Income

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Foreign Currencies

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The condensed consolidated interim financial statements are presented in Canadian dollars which is the parent company's functional currency. The functional currency of the Company is Canadian dollars and the functional currency of its 50% controlled entity is US dollars.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of loss in the period in which they arise.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

The financial statements of entities that have a functional currency different from that of the parent Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

Financing Costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of comprehensive loss.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash. The cash and cash equivalents are all denominated in Canadian dollars.

Short-Term Investment

Short term investment, which is fixed term deposit held at the bank with a maturity of more than three months and less than twelve months at the time of issuance, is recorded at fair value.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Decommissioning and Rehabilitation Liabilities

The Company recognizes the fair value of a decommissioning and restoration liability the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the decommissioning and restoration liability due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company did not have any significant decommissioning and restoration obligations at December 31, 2011.

Share-based payments

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Warrants issued in Equity Financing Transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

Comprehensive Loss

Comprehensive loss is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Earnings (Loss) Per Share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

Taxation**(a) Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

(b) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit of loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Flow-Through Instruments

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors.

The Company adopted a policy to (i) allocate the proceeds between the offering of the shares and the sale of the tax benefits when the shares are offered and (ii) recognise an income tax provision upon filing of appropriate renunciation forms with the Canadian tax authorities for qualifying expenditures incurred.

Financial Instruments – recognition and measurement

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value but through profit and loss are measured at amortized cost using the effective interest rate method.

The Company has implemented the following classifications for its financial instruments:

- a) Cash and cash equivalents as financial assets at FVTPL.
- b) Trade receivables have been classified as loans and receivables.
- c) Short term investments have been classified as held-to-maturity.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

d) Payables and accruals have been classified as financial liabilities not at FVTPL.

Impairment of Financial Assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

De-recognition of Financial Assets and Financial Liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations.

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, however the increased carrying amount cannot 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.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities are not recognised in the financial statements and are disclosed in the notes to the financial statements unless their occurrence is remote. Contingent assets are not recognised in the financial statements, but are disclosed in the notes to the financial statements if their recovery is deemed probable.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Significant Accounting Judgements and Estimates

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

- (a) The inputs used in accounting for share purchase option expense in the interim consolidated statements of comprehensive loss.
- (b) The provision for income taxes which is included in the consolidated statements of comprehensive loss and composition and quantification of deferred income tax assets and liabilities included in the consolidated statement of financial position.
- (c) The recoverability of exploration and evaluation assets in the consolidated statements of financial position.

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

(a) IFRS 9, Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

(b) IFRS 10, Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

(c) IFRS 11, Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

(d) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(e) IFRS 13, Fair Value Measurements

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. SHORT-TERM INVESTMENT

As at December 31, 2011, the Company has short term investment of \$5,788,780 of principal and \$60,189 of interest due on March 1, 2012 with an annual yield of prime minus 1.8%. (2010 - \$nil).

4. MARKETABLE SECURITIES

Pursuant to the Shoreham Option Agreement (see Note 6), during the fiscal year ended 2008, the Company received 200,000 common shares of Guyana Frontier Mining Corp. (formerly known as Shoreham Resources Ltd. ("Shoreham")), a company listed on the TSX Venture Exchange, at \$0.30 per share for a total of \$60,000. During the fiscal year ended June 30, 2009 the Company received an additional 200,000 common shares of Shoreham Resources Ltd., at \$0.29 per share. During the fiscal year ended June 30, 2009 the Company disposed of 30,000 shares of Shoreham Resources Ltd., as partial payment for the Matless Lake South Claims. The remaining 370,000 common shares were disposed of in the fiscal year ended June 30, 2010.

5. ASSETS HELD FOR SALE

In May 2009, American Potash, owned 50% by each of the Company and Magna, entered into an option agreement with Sweetwater River Resources LLC ("Sweetwater"), John Glasscock and Kent Ausburn (the "Sweetwater Option Agreement") (collectively called the "Optionors"), to acquire pending exploration permit applications to the United States Bureau of Land Management ("BLM") in respect of certain Utah prospects and to the State of Arizona in respect of certain Arizona prospects, together with all permits and other rights issued pursuant to the applications, to allow for the exploration of potash prospects in Utah and Arizona. During the course of application, the Company incurred geological works of \$329,793 that were required by the United States Bureau of Land Management for preparation of exploration plans for the Utah properties. As at December 31 2011, the applications in Utah are pending approval from the United States Bureau of Land Management.

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5. ASSETS HELD FOR SALE (cont'd...)

The option agreement entitles American Potash to acquire a 100% interest in permits, subject to a 2% royalty to the Optionors which may be bought back for \$2,000,000 USD. The option may be exercised by having Magna and the Company each pay a total of \$135,000 USD and each issue in aggregate, 1,000,000 shares to the Optionors upon receiving grants of exploration permits for not less than 25,000 acres of Utah property, as follow:

- \$35,000 USD upon signing the option agreement (paid);
- 100,000 shares upon grant of the Permits representing not less than 25,000 acres;
- \$25,000 USD cash and 300,000 shares on or before the first anniversary date;
- \$25,000 USD cash and 300,000 shares on or before the second anniversary date;
- \$25,000 USD cash and 300,000 shares on or before the third anniversary date; and
- \$25,000 USD cash on or before the fourth anniversary date.

During the year ended June 30, 2011 the Company received as consideration a 50% proportionate interest in 353,450 common shares of Passport Potash Inc. pursuant to an option agreement dated November 2, 2010 for a total of \$91,897 (See Note 6). The market value of 50% of the 353,450 common shares of Passport Potash Inc., being 176,725 shares held by the Company, as of June 30, 2011, was \$104,268 (2010 - \$Nil). During the period ended December 31, 2011, the American Potash sold all the shares for gross proceeds of USD \$172,084.

On November 21, 2011, The Company and Magna Resources Ltd. ("Magna") signed an agreement in respect of the acquisition by Magna of the Company's 50% interest in American Potash ("Purchase and Sale Transaction"). Under the terms of the agreement, Magna completed a 2 for 1 subdivision of its outstanding common shares, resulting in Magna having 22,420,000 common shares being issued and outstanding.

The purchase price for the Company's 50% interest in American Potash is comprised of 22,420,000 common shares and 2,400,000 common share purchase warrants of Magna. Each warrant entitles the Company to purchase a further common share at a price of \$0.10 until February 25, 2016. Concurrent with the transfer, the Company subscribed for 6,666,666 common shares of Magna at \$0.30 per share for gross proceeds to Magna of \$2,000,000.

As a result, the Company reported the assets and liabilities related to American Potash as assets held for sale and liabilities held for sale.

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5. ASSETS HELD FOR SALE (cont'd...)

The assets held for sale and liabilities held for sale are as follows:

For the period ended December 31,	2011	2010
ASSETS		
Cash and cash equivalents	\$ 4,359	\$ -
Marketable securities	-	-
Accounts receivable	-	-
Prepaid	5,085	-
Reclamation bond	2,522	-
Mineral properties	380,956	-
	<u>\$ 392,922</u>	<u>\$ -</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 54,468	\$ -
	<u>\$ 54,468</u>	<u>\$ -</u>
For the years ended June 30,		
ASSETS		
Cash and cash equivalents	\$ 12,139	\$ -
Marketable securities	100,545	-
Mineral properties	272,742	-
	<u>\$ 385,424</u>	<u>\$ -</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 75,121	\$ -
	<u>\$ 75,121</u>	<u>\$ -</u>

On January 19, 2012 the Purchase and Sale Transaction was completed. As a result, Magna holds a 100% membership interest in American Potash, which holds potash leases and an option in respect of potash lease applications in the State of Utah. Magna has an aggregate of 51,506,666 common shares and 4,800,000 common share purchase warrants exercisable at \$0.10 per share issued and outstanding (on a non-diluted basis), of which 56.47% of the shares and 50% of the warrants are held by the Company.

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6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Confederation Lake (Mitchell & Belanger) Claims, Ontario

On February 10, 2006, as amended on August 31, 2006, December 14, 2006, February 10, 2009 and March 23, 2010, the Company entered into an option agreement to acquire a 100% interest in 26 mining claims (184 units) located in the Red Lake Mining District of Ontario by making cash payments of \$70,500 (paid) and issuing 430,000 shares (issued) to Rubicon Minerals Corporation and Perry English.

During the year ended June 30, 2011, management decided to abandon these claims for accounting purposes and wrote off \$660,583 costs incurred to date.

Matless Lake South Claims, Ontario

On March 14, 2006, as amended on February 2, 2007 and, March 14, 2007, the Company entered into an Option Agreement to acquire a 100% interest in 19 mining claims (184 units) located in the Red Lake Mining District of Ontario by making cash payments of \$76,000 (paid), issuing 200,000 (issued) shares of the Company and transferring 30,000 common shares of Shoreham Resources Ltd. (transferred) to Rubicon Minerals Corporation and Perry English.

On September 4, 2007, as amended March 12, 2009, the Company entered into a property option agreement (the "Shoreham Option Agreement") with Shoreham that granted Shoreham the right to acquire up to a 70% working interest in the Matless Lake South Claims. Under the Shoreham Option Agreement, Shoreham could acquire a 70% working interest in consideration for total cash payments of \$80,000 and issuing 400,000 common shares.

On April 30, 2011, Shoreham decided not to proceed further with the Shoreham Option Agreement and as such the Agreement was terminated.

Although the Company still holds the claims, during the year ended June 30, 2011, management decided to abandon these claims for accounting purposes and wrote off \$751 costs incurred to date. The Company abandoned the ownership interest in the claims on February 3, 2012.

Arizona Property

On November 2, 2010, American Potash agreed to amend the Sweetwater Option Agreement to remove the Arizona permits and Arizona properties from the agreement because Sweetwater wanted to grant the option to Passport Potash Inc. ("Passport") to acquire 100% of Sweetwater's rights and interest in the Arizona properties, subject to a 2% royalty, in consideration of payments. In return, Sweetwater agreed to compensate American Potash for the expenditures already incurred by allocating a portion of the option payments from Passport to American Potash. The allocation is based on a pre-determined formula. As a result, American Potash is entitled to 70.70% of the following:

- i) 500,000 free trading shares (received) of Passport (the "Passport Shares") on the earlier of December 15, 2010 or within five business days of the date of receipt of the TSX Exchange acceptance of the option agreement (the "Acceptance Date"); and
- ii) Three cash payments of \$30,000 each within 12 (paid), 18 and 24 months of the Acceptance Date.

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6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (cont'd...)

Passport has the right, but not the obligation, to make the cash payments. Under the Agreement, the Arizona permits are subject to a 2% NSR royalty in favour of Sweetwater and American Potash, with Passport retaining the option to buy one-half of the royalty for \$150,000 USD and the remaining one-half of the royalty for an additional \$150,000 USD.

The allocation of the payments and the royalty to Sweetwater and American Potash is according to each of their respective percentage of total expenses incurred by them on the Arizona permits.

Newman Todd Project

Pursuant to an option agreement dated November 19, 2010 with Redstar Gold Corp. ("Redstar"), the Company was granted an option to acquire up to 70% of Redstar's Newman Todd project (the "Newman Todd Project"), located in the Red Lake Mining District of Northern Ontario.

To exercise the option to earn an initial 50% interest, the Company is required to incur a cumulative of \$5,000,000 of work expenditures on the Property, issue to Redstar a total of 500,000 shares of the Company and make payments to Redstar totalling \$250,000 in the following manner:

- (a) 100,000 shares (issued) and a \$50,000 payment (paid) within 10 business days of approval of the Agreement by the TSX Venture Exchange (December 22, 2010);
- (b) work expenditures of \$2,000,000 (incurred), 100,000 shares (issued) and a further \$50,000 payment (paid) on or before the first anniversary of the Agreement;
- (c) further work expenditures of \$1,500,000 (incurred), a further 150,000 shares and a further \$75,000 payment on or before the second anniversary of the Agreement; and
- (d) further expenditures of \$1,500,000 (incurred), a further 150,000 shares and a further \$75,000 payment on or before the third anniversary of this Agreement.

To exercise the option to earn a further 20% interest, thereby increasing its overall interest to 70%, the Company will be required to produce, at its own cost, a preliminary assessment of the Property and issue a further 500,000 shares to Redstar on or before the sixth anniversary of the Agreement, subject to minimum annual expenditures of \$250,000 during the last three years of the option period. The parties also have agreed to form a joint venture following the exercise of the option by the Company. The Property is subject to a two percent net smelter return and a fifteen percent net carried interest. The latter interest does not receive payment until capital expenditures have been recovered with interest. A finder's fee of \$132,500 was paid with respect to the Newman Todd project by cash of \$66,250 and issuance of 228,448 shares at a fair value of \$0.29.

On April 14th, 2011, the Company and Redstar entered into a purchase agreement with Ronald Gangloff ("Gangloff") to purchase a fifty percent (50%) interest in 18 mineral claims immediately adjacent to the Newman Todd Project. Of the 50% interest acquired, the Company has acquired an undivided 35% interest in the claims for a sum of \$50,000 (paid May 25, 2011) and 125,000 shares (issued May 12, 2011) and Redstar acquired an undivided 15% interest in the claims for the sum of \$70,000.

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6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (cont'd...)

Expenditure related to the properties can be summarized as follows:

	Arizona Property	Matless Lake Claim	Confederation Lake Claim	Newman Todd Property	Total
	\$	\$	\$	\$	\$
Mineral acquisition					
Opening balance, June 30, 2010	66,985	1	131,329	-	198,315
Cash Payments	2,489	-	-	166,250	168,739
Shares issued for mineral property	-	-	-	197,250	197,250
Re-allocation of expenditures	(25,260)	-	-	-	(25,260)
	<u>44,214</u>	<u>1</u>	<u>131,329</u>	<u>363,500</u>	<u>539,044</u>
Deferred exploration expenditure					
Opening balance, June 30, 2010	10,748	640	517,769	-	529,157
Advance Payment	-	-	-	200,000	200,000
Assays and reports	-	-	-	114,354	114,354
Camp construction	-	-	-	38,662	38,662
Drilling	-	-	-	659,160	659,160
Equipment installation	-	-	-	101,950	101,950
Field expenses	-	-	-	366,700	366,700
General administration	-	-	1,935	5,597	7,532
Geological surveys	-	110	9,550	7,068	16,728
Geological consulting	-	-	-	422,483	422,483
Permitting	-	-	-	686	686
Re-allocation of expenditures	-	-	-	-	-
Travel and Accommodation	-	-	-	78,677	78,677
	<u>10,748</u>	<u>750</u>	<u>529,254</u>	<u>1,995,337</u>	<u>2,536,089</u>
Net costs for the year	54,962	751	660,583	2,358,837	3,075,133
Write down in mineral property	-	(751)	(660,583)	-	(661,334)
Disposal of property	(54,962)	-	-	-	(54,962)
Total as at June 30, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,358,837</u>	<u>2,358,837</u>
Mineral acquisition					
Cash Payments	-	-	-	50,000	50,000
Shares issued for mineral property	-	-	-	47,000	47,000
Re-allocation of expenditures	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,000</u>	<u>97,000</u>
Deferred exploration expenditure					
Advance Payment	-	-	-	-	-
Assays and reports	-	-	-	638,810	638,810
Camp construction	-	-	-	65,394	65,394
Drilling	-	-	-	1,832,082	1,832,082
Equipment installation	-	-	-	-	-
Field expenses	-	-	-	293,526	293,526
General administration	-	-	-	13,899	13,899
Geological surveys	-	-	-	-	-
Geological consulting	-	-	-	735,318	735,318
Permitting	-	-	-	454	454
Travel and Accommodation	-	-	-	165,782	165,782
Reclamation	-	-	-	10,000	10,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,755,265</u>	<u>3,755,265</u>
Total as at December 31, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,211,102</u>	<u>6,211,102</u>

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7. LOAN RECEIVABLE

On May 16, 2011, the Company through a promissory note, agreed to lend \$70,000 to Redstar Gold Corp. ("Redstar"). Interest was payable on the promissory note, from the date of grant, at a rate equal to the prime lending rate of the Bank of Montreal, compounded annually not in advance. The principal sum and interest owing were due and payable on the date which is the earlier of the first anniversary of the promissory note or the date that Redstar completed its next equity financing.

On September 15, 2011, Redstar repaid the principal sum and interest in full.

8. LONG TERM DEBT

Long term debt represents a verbal agreement with a third party to repay a loan amount on December 31, 2011 or should the Company complete a major financing, repayment is required prior to December 31, 2011. The loan was interest free and unsecured. During the year ended June 30, 2010, the maturity date was extended from December 31, 2010 to December 31, 2011. Based on a market interest rate of 5.5%, the amortized cost was \$36,800 as at June 30, 2010. Based on the completion of a major financing in December 2010, the original debt in the amount of \$40,000 became current and was repaid in full on February 2, 2011.

9. SHARE CAPITAL

a) Authorized:

Unlimited common shares with no par value

b) Issued Share Capital:

On December 31, 2011, there were 45,105,221 common shares issued and outstanding (June 30, 2011 – 44,350,121 common shares).

c) Common Shares:

During the year ended June 30, 2010, the Company issued 310,000 common shares for mineral properties a deemed value of \$0.1225 per share. See also note 6 for details.

During the year ended June 30, 2010, the Company issued 1,684,666 units pursuant to a non-brokered private placement at a price of \$0.15 per unit for gross proceeds of \$252,700. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire an additional common share of the Company on or before May 31, 2012 at \$0.25 per share. The securities are subject to a 4 month hold period until October 2, 2010. As the unit was issued at a price higher than the market trading price on May 31, 2010, \$67,387 was allocated to reserves as fair value for the warrants under the residual value method.

On November 19, 2010, the Company issued 228,448 common shares as the finder's fee for Newman Todd project at fair value of \$0.29 per share. See note 6 for details.

On December 9, 2010, the Company issued 150,000 common shares upon the exercise of warrants, for cash proceeds in the amount of \$37,500 and transferred from reserves an additional \$6,000 previously recognized as the residual value of those share purchase warrants.

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9. SHARE CAPITAL (cont'd...)**c) Common Shares (cont'd...)**

On December 22, 2010, The Company issued 1,527,857 flow-through units pursuant to a non-brokered private placement at a price of \$0.35 per unit for gross proceeds of \$534,750. Each unit consists of one flow-through common share and one share purchase warrant entitling the holder to acquire an additional non-flow-through common share of the Company on or before December 22, 2011 at \$0.45 per share. The securities were subject to a 4 month hold period until April 24, 2011. Under a finder's fee agreement, the Company was obligated to pay \$11,200 cash and issue 32,000 warrants. As agreed with the finder, the Company settled the \$11,200 by issuance of 40,000 units, with each consisting of one non flow-through share and one warrant exercisable at \$0.45 per share on or before December 22, 2010. The fair value of the 32,000 warrants issued, using the Black Scholes valuation model was \$3,929.

On January 6, 2011, the Company issued 100,000 common shares for the Newman Todd project at fair value of \$0.41 per share. See also note 6 for detail.

On January 17, 2011, the Company issued 9,643,257 units pursuant to a non-brokered private placement at a price of \$0.28 per unit for gross proceeds of \$2,700,112. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional common share of the Company on or before January 17, 2012 at \$0.45 per share. The securities were subject to a 4 month hold period until May 18, 2011. In respect of this placement, the Company paid a finder's fee of \$196,538 in cash and issue 701,920 warrants. The fair value of the 701,920 warrants issued to the finder, using the Black Scholes Valuation Model, was \$96,235. As agreed with the finder, the Company paid a total of \$73,508 in cash and the balance of \$123,030 by the issuance of 439,392 units at a deemed value of \$0.28 (fair value of \$123,030). Each unit consisted of one common share and one warrant exercisable at \$0.45 per share on and before January 17, 2012. On May 16, 2011 and June 8, 2011, the Company issued 100,000 and 200,000 upon the exercise of such warrants for cash proceeds of \$135,000 at \$0.45 per share. Additionally, on Jun 1, 2011, the Company issued 172,000 common shares upon exercise of such warrants for cash proceeds of \$77,400 at \$0.45 per share and transferred from reserves an additional \$23,582 previously recognized.

On March 3, 2011, the Company issued 2,500,000 flow-through shares at a price of \$0.80 per share and 12,997,500 units at a price of \$0.67 per unit pursuant to a brokered private placement for gross proceeds of \$10,708,325. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$1.00 per common share until July 3, 2012. The securities were subject to a 4 month hold period ending July 4, 2011. The Company paid a finder's fee consisting of \$642,499 in cash and 779,849 warrants at a fair value of \$255,503 by using the Black Scholes valuation model.

On March 15, 2011, the Company issued 137,000 common shares at \$0.25 per share upon the exercise of warrants for cash proceeds in the amount of \$34,250 and transferred from reserves an additional \$5,480 previously recognized as the residual value of those share purchase warrants.

On April 25, 2011 and May 6, 2011, the Company issued 100,000 and 300,000 common shares respectively upon the exercise of options at \$0.25 per share for cash proceeds in the amount of \$100,000. A total of \$87,059 in share-based payment was reallocated from reserves to share capital for these options.

On May 12, 2011, the Company issued 125,000 common shares for the Newman Todd project at a fair value of \$0.72 per share. See note 6 for details.

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9. SHARE CAPITAL (cont'd...)**c) Common Shares (cont'd...)**

During the period ended December 31, 2011, a total of 660,500 share purchase warrants were exercised at a price of \$0.45 for gross proceeds of \$297,225.

During the period ended December 31, 2011, a total of 94,600 agents warrants were exercised at a price of \$0.45 for gross proceeds of \$42,570. A total amount of \$12,787 was transferred out of reserves and into share capital for these warrants.

On October 27, 2011, the Company issued 100,000 common shares for the Newman Todd project at a fair value of \$0.47 per share. See note 6 for details.

d) Escrow Shares

As at December 31, 2011, all shares (June 30, 2011 – 1,186,251) have been released from escrow.

e) Stock Options

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option will not be less than the discounted market price of the common shares as permitted by the TSX Venture Exchange policies. The options can be granted for a maximum term of 5 years.

During the year ended June 30, 2010, 100,000 options were cancelled as the owner of the options ceased to be director of the Company during the year.

On November 17, 2010, 300,000 incentive stock options were granted to a director, exercisable at \$0.25 per share on or before November 17, 2015, 100% vesting immediately. A total of \$47,214 of share-based payment was recorded during the year ended June 30, 2011 for these options. The exercise price is greater than the market price at the date of grant.

On February 4, 2011, 840,000 incentive stock options were granted to directors, exercisable at \$0.45 per share on or before February 4, 2016, 100% vesting immediately. A total of \$301,928 of share-based payment was recorded during the year ended June 30, 2011 for these options. The exercise price is greater than the market price at the date of grant.

On February 4, 2011, 200,000 incentive stock options were granted to a consultant, exercisable at \$0.45 per share on or before February 4, 2016, with 25% vesting every 3 months. The exercise price is greater than the market price at the date of grant. Using the graded vesting method, a total of \$91,369 of share-based payment was recorded to date. The amounts of share-based payments recorded during each period are as follows: \$74,601 during June 30, 2011 year-end, an addition of \$30,488 during September 30, 2011 quarter-end, and a reduction of \$13,720 during December 31, 2011 quarter-end, due to the remeasurement of options at quarter-end.

On February 4, 2011, 210,000 incentive stock options were granted to a consultant vesting immediately at \$0.45 per share on or before February 4, 2016. On February 1, 2011, the Company entered into a consulting agreement with the consultant for corporate consulting service for a period of three years for \$7,500 per month. In addition to the cash payment, the stock options granted were part of the compensation package. Therefore, the Company recorded a total fair value of \$75,482 as deferred share-based payment and will amortize this amount over the term of the agreement. As of

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9. SHARE CAPITAL (cont'd...)**e) Stock Options (cont'd...)**

December 31, 2011, the Company expensed \$12,580 of share-based payment. The exercise price is greater than the market price at the date of grant.

On February 25, 2011, 250,000 incentive stock options were granted to a director, exercisable at \$0.69 per share on or before February 25, 2016, 100% vesting immediately. A total of \$138,420 of share-based payment was recorded during the year ended June 30, 2011 for these options. The exercise price is greater than the market price at the date of grant.

On April 18, 2011, 100,000 incentive stock options were granted to a consultant, exercisable at \$1.04 per share on or before April 18, 2013, with 25% vesting every 8 months. The exercise price is greater than the market price at the date of grant. Using the graded vesting method, a total of \$20,813 of share-based payment was recorded to date. The amounts of share-based payments recorded during each period are as follows: \$19,478 during June 30, 2011 year-end, an addition of \$8,777 during September 30, 2011 quarter-end, and a reduction of \$7,442 during December 31, 2011 quarter-end, due to the remeasurement of options at quarter-end.

On June 13, 2011, 250,000 incentive stock options were granted to a consultant, exercisable at \$0.60 per share on or before June 13, 2013, with 25% vesting every 8 months. The exercise price is greater than the market price at the date of grant. Using the graded vesting method, a total of \$37,598 of share-based payment was recorded to date. The amounts of share-based payments recorded during each period are as follows: \$22,742 during June 30, 2011 year-end, an addition of \$21,973 during September 30, 2011 quarter-end, and a reduction of \$7,117 during December 31, 2011 quarter-end, due to the remeasurement of options at quarter-end.

On July 25, 2011, 150,000 incentive stock options were granted to an officer, exercisable at \$0.84 per share on or before July 25, 2016, 100% vesting immediately. A total of \$99,049 of share-based payment was recorded during the period ended December 31, 2011 for these options.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

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9. SHARE CAPITAL (cont'd...)**e) Stock Options (cont'd...)**

The continuity of stock options for the period ended December 31, 2011 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price (\$)
Balance June 30, 2010	750,000	0.25
Granted, exercisable on or before November 17, 2015	300,000	0.25
Granted, exercisable on or before February 4, 2016	1,250,000	0.45
Granted, exercisable on or before February 25, 2016	250,000	0.69
Granted, exercisable on or before April 18, 2013	100,000	1.04
Granted, exercisable on or before June 13, 2013	250,000	0.60
Exercised	(400,000)	0.25
Balance, June 30, 2011	2,500,000	0.46
Granted, exercisable on or before July 25, 2016	150,000	0.84
Balance December 31, 2011	2,650,000	0.48

The options outstanding and exercisable at December 31, 2011, are as follows:

Outstanding Options			Exercisable Options	
Number Outstanding	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (Years)	Number Outstanding	Weighted Average Exercise Price (\$)
350,000	0.25	1.54	350,000	0.25
300,000	0.25	3.88	300,000	0.25
1,250,000	0.45	4.10	1,200,000	0.45
250,000	0.69	4.16	250,000	0.69
100,000	1.04	1.30	50,000	1.04
250,000	0.60	1.45	62,500	0.60
150,000	0.84	4.57	150,000	0.84
2,650,000	0.48	3.41	2,362,500	0.46

The fair value of share options awarded to officers, directors and consultants was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

	2012	2011
Risk-free interest rate (%)	1.74	1.46 - 2.14
Expected dividend yield (%)	-	-
Expected stock price volatility (%)	141.76	102.32 - 149.32
Expected life (years)	3.00	1.8 - 3
Weighted average grant date fair value (\$)	0.66	0.36

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9. SHARE CAPITAL (cont'd...)**f) Warrants (cont'd...)**

The continuity of warrants for the period ended December 31, 2011 is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, June 30, 2010	2,004,666	0.25
Expired, unexercised	(320,000)	0.25
Exercised	(759,000)	0.37
Issued, exercisable on or before December 22, 2011	1,599,857	0.45
Issued, exercisable on or before January 17, 2012	10,784,569	0.45
Issued, exercisable on or before July 3, 2012	7,278,599	0.67
Balance, June 30, 2011	20,588,691	0.62
Exercised	(755,100)	0.45
Expired	(1,466,557)	0.45
Balance, December 31, 2011	18,367,034	0.64

Full share equivalent warrants outstanding and exercisable at December 31, 2011 are as follows:

Expiry Date	Price per Share	Warrants Outstanding
June 1, 2012	\$ 0.25	1,397,666
January 17, 2012	\$ 0.45	9,690,769
July 3, 2012	\$ 1.00	6,498,750
July 3, 2012	\$ 0.67	779,849
		18,367,034

Subsequent to period end, a total of 9,061,311 share purchase warrants granted on January 17, 2011 were exercised at a price of \$0.45 for gross proceeds of \$4,077,589. A total amount of \$121,414 was transferred out of reserves and into share capital for the agent warrants exercised.

10. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities which they have control or significant influence were as follows:

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10. RELATED PARTY TRANSACTIONS (cont'd...)

Services provided by:	Notes	Three Months Ended		Six Months Ended	
		December 31,		December 31,	
		2011	2010	2011	2010
Lawrence Dick	(a)	\$ 30,000	\$ 8,250	\$60,000	\$16,500
Primarius Capital Corp.	(b)	30,000	8,250	60,000	16,500
Pineview Enterprises	(c)	-	8,250	-	16,500
Baron Global Financial Canada Ltd.	(d)	30,000	-	60,000	-
Compensation benefits to key management	(e)	-	-	99,049	-

- (a) Lawrence Dick, the President and CEO of the Company provided management services throughout the period.
- (b) Primarius Capital Corp. is a privately held corporation controlled by a director, which provides consulting services to the Company.
- (c) Pineview Enterprises is a privately held corporation controlled by the former Chief Financial Officer and director, which provided consulting services to the Company.
- (d) Pursuant to a management and advisory agreement with Baron Global Financial Canada Ltd. ("Baron"), Baron agreed to act as corporate advisor and Chief Financial Officer of the Company in return for a monthly fee.
- (e) Compensation benefits to key management personnel consists of share-based payments made during the period.

Related party payables:

	December 31, 2011	June 30, 2011
Lawrence Dick	\$ -	\$ -
Primarius Capital Corp.	-	-
Pineview Enterprises	-	-
Baron Global Financial Canada Ltd.	2,609	1,663
Kenneth Holmes	963	-

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the periods presented is based on the following data:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2011	2010	2011	2010
Net Loss	(267,088)	(122,062)	(680,526)	(180,986)
Weighted average number of common shares outstanding	45,174,993	15,795,946	44,953,520	15,692,811
	(0.01)	(0.01)	(0.02)	(0.01)

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12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS:

Supplementary disclosure of non-cash investing and financing activities during the period ended December 31, 2011, were as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2011	2010	2011	2010
Reallocation of fair value on agents warrants exercised	\$ -	\$ -	\$ 12,787	\$ -
Mineral property expenditures included within accounts payable	260,895	-	260,895	-
Shares issued for mineral property payment	47,000	-	47,000	37,975

13. COMMITMENTS

On April 1, 2010, American Potash, the Company's joint venture, entered into a consulting agreement with a third party for consulting services of 20 hours per month for \$3,000 per month for a period of one year. Additional hours to complete services will be billed at \$200 per hour.

On February 1, 2011, the Company entered into a consulting agreement with a third party to provide corporate consulting services. The term of the agreement will be for 36 months expiring on February 28, 2014 and the consultant will be paid a monthly fee of \$7,500. Approved by the board of the directors on July 1, 2011, the monthly fee increased to \$10,000.

On February 1, 2011, the Company entered into a consulting agreement with a third party to provide corporate communications services. The term of the agreement would be for 3 months and may be renewed at the option of the Company by giving 30 days written notice prior the expiry of the term. The agreement has been renewed. The consultant will be paid a monthly fee of \$4,000 and was granted 200,000 stock options.

On May 15, 2011, the Company entered into a consulting agreement with a third party to provide corporate communications services for \$15,000 per month. The term of the agreement was for 6 months but has been continued on a month to month basis.

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14. FINANCIAL INSTRUMENTS

Classification of financial instruments

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's balance sheet as at December 31, 2011 as follows:

	Fair Value Measurements Using			Balance December 31, 2011	Balance June 30, 2011	Balance July 1, 2010
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs Level 3 \$			
Cash and cash equivalents	\$ 340,770	\$ -	\$ -	\$ 340,770	\$ 685,229	\$ 47,211
Short term investment	\$ 5,848,969	\$ -	\$ -	\$ 5,848,969	\$ 10,532,493	\$ -
Total	\$ 6,189,739	\$ -	\$ -	\$ 6,189,739	\$ 11,217,722	\$ 47,211
Accounts payables	\$ 245,140	\$ -	\$ -	\$ 245,140	\$ 1,074,463	\$ 99,693
Total	\$ 245,140	\$ -	\$ -	\$ 245,140	\$ 1,074,463	\$ 99,693

The fair values of other financial instruments, which include accounts receivable, accounts payable and accruals, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The functional currency of the Company's joint venture is the US dollar. At December 31, 2011, the assets and liabilities of the joint venture have been classified as held for sale having been converted at the period end exchange rate.

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14. FINANCIAL INSTRUMENTS (cont'd...)

(c) Foreign Exchange Rate Risk (cont'd...)

The Company does not have any other US denominated assets and liabilities.

At December 31, 2011, June 30, 2011 and July 1, 2010 the US dollar denominated assets and liabilities of the Company's joint venture are as follows:

	December 31, 2011	June 30, 2011	July 1, 2010
	US\$	US\$	US\$
Monetary assets			
Cash and cash equivalents	\$ 4,286	\$ 12,588	\$ 2,747
Marketable securities	-	104,268	-
Reclamation bond	2,480	-	7,500
	<u>\$ 6,766</u>	<u>\$ 116,856</u>	<u>\$ 10,247</u>
Monetary liabilities			
Accounts payable and accruals	\$ 53,558	\$ 77,902	\$ 15,701
	<u>\$ 53,558</u>	<u>\$ 77,902</u>	<u>\$ 15,701</u>

The following table discusses the Company's sensitivity to a 10% increase or decrease in the Canadian dollar against the US dollar denominated assets and liabilities above. The sensitivity analysis measures the effect from recalculation of these items as at the balance sheet date by using adjusted foreign exchange rates.

	CDN appreciation by 10%	CDN depreciation by 10%
December 31, 2011		
Increase (decrease) comprehensive loss	\$ 6,135	\$ (6,135)
June 30, 2011		
Increase (decrease) comprehensive loss	\$ (18,781)	\$ 18,781
July 1, 2010		
Increase (decrease) comprehensive loss	\$ 1,957	\$ (1,957)

(d) Liquidity Risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

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14. FINANCIAL INSTRUMENTS (cont'd...)

(d) Liquidity Risk (cont'd...)

Contractual maturity analysis is as follows:

	Less than 3 months	3-12 months	1-5 years	Longer than 5 years	Total
	\$	\$	\$	\$	\$
December 31, 2011					
Accounts receivable	541,466	-	-	-	541,466
Payables	228,294	16,846	-	-	245,140
June 30, 2011					
Accounts receivable	301,662	-	-	-	301,662
Payables	1,074,463	-	-	-	1,074,463
July 1, 2010					
Accounts receivable	5,446	-	-	-	5,446
Payables	99,693	-	-	-	99,693

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

(f) Interest Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets in relation to cash at banks carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. As at December 31, 2011, the Company has \$5,848,969 (June 30, 2011: \$10,532,493) in guaranteed investment certificates.

The policies to manage interest rate risk have been followed by the Company during prior periods and are considered to be effective.

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15. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

16. SEGMENTAL INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. Geographical information of the Company's capital assets comprising exploration properties and equipment is as follows:

	December 31, 2011	June 30, 2011	July 1, 2010
Mineral properties			
- Canada	\$ 6,211,102	\$ 2,358,837	\$ 649,739
- United States	-	-	200,239
	<u>\$ 6,211,102</u>	<u>\$ 2,358,837</u>	<u>\$ 849,978</u>

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17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's second condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the condensed consolidated interim financial statements for the six months ended December 31, 2011, the comparative information for the six months ended December 31, 2010, the statement of financial position as at June 30, 2011 and the opening IFRS statement of financial position on July 1, 2010, the "Transition Date."

In preparing the opening IFRS statement of financial position including comparative information for the year ended June 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

Mandatory exceptions

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 those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

Optional exemptions

IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates" for cumulative foreign currency translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election and has eliminated the cumulative foreign currency translation difference and adjusted deficit by the same.

Furthermore, IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before January 1, 2010.

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Reconciliation of Assets, Liabilities and Equity

	Notes	As at July 1, 2010			As at December 31, 2010			As at June 30, 2011		
		GAAP	Effect of transition to IFRS	IFRS	GAAP	Effect of transition to IFRS	IFRS	GAAP	Effect of transition to IFRS	IFRS
ASSETS										
Current Assets										
Cash and cash equivalents		47,211	-	47,211	551,771	-	551,771	685,229	-	685,229
Marketable securities		-	-	-	49,204	-	49,204	-	-	-
Receivables		5,446	-	5,446	14,679	-	14,679	301,662	-	301,662
Prepaid expenses and deposits		2,500	-	2,500	1,250	-	1,250	14,161	-	14,161
Short term investment		-	-	-	-	-	-	10,532,493	-	10,532,493
Current assets held for sale	(c)	-	-	-	-	-	-	404,585	(19,159)	385,426
Loan receivable		-	-	-	-	-	-	70,000	-	70,000
Other assets		-	-	-	6,934	-	6,934	-	-	-
Total current assets		55,157	-	55,157	623,838	-	623,838	12,008,130	(19,159)	11,988,971
Non-Current Assets										
Reclamation Bond		7,927	-	7,927	-	-	-	-	-	-
Mineral properties	(c)	851,493	(1,515)	849,978	824,837	(9,428)	815,409	2,358,837	-	2,358,837
Total non-current assets		859,420	(1,515)	857,905	824,837	(9,428)	815,409	2,358,837	-	2,358,837
TOTAL ASSETS		914,577	(1,515)	913,062	1,448,675	(9,428)	1,439,247	14,366,967	(19,159)	14,347,808
LIABILITIES										
Current liabilities										
Payables and accruals		99,693	-	99,693	235,282	-	235,282	1,078,963	-	1,078,963
Current liabilities held for sale		-	-	-	-	-	-	75,121	-	75,121
Other liabilities - premium on FTS	(a)	-	-	-	-	30,557	30,557	-	275,000	275,000
Future income tax liability		-	-	-	-	-	-	8,222	141,303	149,525
		99,693	-	99,693	235,282	30,557	265,839	1,162,306	416,303	1,578,609
Non current liabilities										
Long term debt		36,800	-	36,800	-	-	-	-	-	-
Total current and non-current liabilities		136,493	-	136,493	235,282	30,557	265,839	1,162,306	416,303	1,578,609
SHAREHOLDERS' EQUITY										
Share capital	(a)	1,762,511	-	1,762,511	2,321,787	(30,557)	2,291,230	14,926,576	(164,254)	14,762,322
Contributed surplus	(b)	296,387	(296,387)	-	353,766	(353,766)	-	1,209,800	(1,209,800)	-
Reserves	(b)	-	296,387	296,387	-	353,766	353,766	-	1,209,800	1,209,800
Deferred share based payment		-	-	-	-	-	-	(64,998)	-	(64,998)
Accumulated deficit	(a), (c)	(1,280,814)	(1,515)	(1,282,329)	(1,462,160)	(1,155)	(1,463,315)	(2,866,717)	(252,645)	(3,119,362)
Accumulated other comprehensive income (loss)	(c)	-	-	-	-	(8,273)	(8,273)	-	(18,563)	(18,563)
Total shareholders equity		778,084	(1,515)	776,569	1,213,393	(39,985)	1,173,408	13,204,661	(435,462)	12,769,199
TOTAL SHAREHOLDERS EQUITY & LIABILITIES		914,577	(1,515)	913,062	1,448,675	(9,428)	1,439,247	14,366,967	(19,159)	14,347,808

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Reconciliation of Loss and Comprehensive Loss

	Notes	<u>Three months ended</u> <u>December 31, 2010</u>			<u>Six months ended</u> <u>December 31, 2010</u>			<u>Year ended</u> <u>June 30, 2011</u>		
		GAAP	Effect of transition to IFRS	IFRS	GAAP	Effect of transition to IFRS	IFRS	GAAP	Effect of transition to IFRS	IFRS
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounting fees		3,220	-	3,220	15,720	-	15,720	18,720	-	18,720
Bank charges and interest		3,275	-	3,275	3,312	-	3,312	921	-	921
Consulting fees		41,250	-	41,250	82,500	-	82,500	393,087	-	393,087
Filing fees		5,617	-	5,617	6,867	-	6,867	35,654	-	35,654
Legal fees		-	-	-	-	-	-	29,699	-	29,699
Foreign exchange		40	-	40	40	-	40	-	-	-
Meals and entertainment		-	-	-	-	-	-	2,553	-	2,553
Office expenses		1,040	-	1,040	1,373	-	1,373	14,095	-	14,095
Shareholder information		5,009	-	5,009	5,234	-	5,234	12,872	-	12,872
Share-based payment		44,405	-	44,405	44,405	-	44,405	614,868	-	614,868
Transfer agent fees		6,511	-	6,511	8,623	-	8,623	14,673	-	14,673
Travel and accommodation		-	-	-	-	-	-	21,720	-	21,720
Website development		5,000	-	5,000	5,000	-	5,000	8,250	-	8,250
		(115,367)	-	(115,367)	(173,074)	-	(173,074)	(1,167,112)	-	(1,167,112)
Interest income		-	-	-	-	-	-	45,208	-	45,208
Gain (loss) on marketable securities		-	-	-	-	-	-	-	-	-
Write down in mineral property		-	-	-	-	-	-	(661,334)	-	(661,334)
Net Loss before tax		-	-	-	-	-	-	(616,126)	-	(616,126)
Future income tax	(a)	-	-	-	-	-	-	141,303	(252,049)	(110,746)
Net loss from continuing operation		(115,367)	-	(115,367)	(173,074)	-	(173,074)	(1,641,935)	-	(1,893,984)
Net loss from discontinued operation	(c)	(7,055)	360	(6,695)	(8,272)	360	(7,912)	56,032	919	56,951
Net Loss		(122,422)	360	(122,062)	(181,346)	360	(180,986)	(1,585,903)	-	(1,837,033)
Other comprehensive income (loss)										
Foreign currency translation difference from discontinued operation	(c)	-	(8,273)	(8,273)	-	(8,273)	(8,273)	-	(18,563)	(18,563)
Comprehensive Loss		(122,422)	(7,913)	(130,335)	(181,346)	(7,913)	(189,259)	(1,585,903)	(18,563)	(1,855,596)

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Reconciliation of Cash Flows

	Notes	<u>Six months ended December 31, 2010</u>			<u>Year ended June 30, 2011</u>		
		GAAP	Effect of transition to IFRS	IFRS	GAAP	Effect of transition to IFRS	IFRS
		\$	\$	\$	\$	\$	\$
Operating							
Net Loss	(a),(c)	(181,346)	360	(180,986)	(1,585,903)	(251,130)	(1,837,033)
Adjustments for:							
Future income tax expense	(a)	-	-	-	(132,780)	252,049	119,269
Share-based payment		44,405	-	44,405.00	614,868	-	614,868
Write-down of mineral property		-	-	-	661,334	-	661,334
Discounted interest on term loan		-	-	-	3,200	-	3,200
(Gain)/Loss on marketable securities		4,378	-	4,378	(58,290)	-	(58,290)
(Gain)/Loss on disposal of mineral property		-	-	-	(14,248)	-	(14,248)
Foreign exchange	(c)	-	-	-	919	(919)	-
Changes in non-cash working capital:							
Accounts receivable		(9,233)	-	(9,233)	(296,216)	-	(296,216)
Prepaid expenses		1,250	-	1,250	(11,662)	-	(11,662)
Loan receivable		-	-	-	(70,000)	-	(70,000)
Accounts payable and accrued liabilities		105,874	-	105,874	47,477	-	47,477
Proceeds used in discontinued operations	(c)	(7,085)	(360)	(7,445)	8,028	-	8,028
Total Operating		(41,757)	-	(41,757)	(833,273)	-	(833,273)
Investing activities							
Purchase of short term investment		-	-	-	(10,532,493)	-	(10,532,493)
Mineral property investment		(3,798)	-	(3,798)	(1,225,549)	-	(1,225,549)
Proceeds used in discontinued operations		(22,135)	-	(22,135)	(69,418)	-	(69,418)
Total Investing		(25,933)	-	(25,933)	(11,827,460)	-	(11,827,460)
Financing activities							
Proceeds from the issuance of common stock		572,250	-	572,250.00	13,341,665	-	13,341,665
Repayment of long term debt		-	-	-	(40,000)	-	(40,000)
Proceeds used in discontinued operations		-	-	-	-	-	-
Total Financing		572,250.00	-	572,250.00	13,301,665	-	13,301,665
Net increase (decrease) in cash		504,560	-	504,560	640,932	-	640,932
Cash, beginning of period		47,211	-	47,211	44,297	-	44,297
Cash, end of period		551,771	-	551,771	685,229	-	685,229

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17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)

Notes to Reconciliations:

(a) Flow-through Shares and Deferred Taxes

Under Canadian GAAP, the Company followed the recommendations of the Emerging Issues Committee ("EIC") of the CICA with respect to flow-through shares, as outlined in EIC-146. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made. To recognise the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

As part of the transition to IFRS the Company adopted a policy to (i) allocate the proceeds between the offering of the shares and the sale of tax benefits when the shares are offered and (ii) recognise an income tax provision upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred. In particular, the corresponding reduction of share capital in respect of flow-through share financing as previously recorded under Canadian GAAP is now recorded as an expense in the statement of loss and comprehensive loss.

Pursuant to the above policy the allocation of the proceeds from flow-through share issuance is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognised for the premium paid by the investors. The liability is reduced and the reduction of premium liability is recorded in other income upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred.

The effects of the transitional change are as follows:

- (1) Premium on flow-through shares:
 - (i) **December 2010 Flow-through Share Issuance:** Decreased share capital and deficit at June 30, 2011 by \$30,557, to recognise the premium paid for the flow-through shares in excess of the market value of the shares without the flow-through features.
 - (ii) **March 2011 Flow-through Share Issuance:** Decreased share capital and increased other liabilities at June 30, 2011 by \$275,000 to recognise the premium paid for the flow-through shares in excess of the market value of the shares without the flow-through features.
- (2) Renouncement of flow-through tax credits:
 - (i) **Expenditures renounced in March 2011 for December 2010 Flow-through Share Issuance:** Increased share capital at June 30, 2011 by \$141,303, increased deficit at June 30, 2011 by \$282,606 and increased deferred tax liability at June 30, 2011 by \$141,303, to recognise an income tax provision upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures incurred.

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17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)**(b) Reserves**

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. Under IFRS, "Reserves" has taken the place of "Contributed Surplus" and as such the Company has examined its contributed surplus account and separated those components relating to share purchase warrants and stock options.

(c) Adjustment on translation of foreign currency entity

Under Canadian GAAP, all the Company's subsidiaries were integrated foreign operations. Therefore, monetary items were translated at year-end rates and non-monetary items were translated at historic rates with all foreign currency gains and losses recognized in statement of operations. IFRS requires that the functional currency of each subsidiary of the Company be determined separately.

It was determined that, as at the transition date, the functional currency of the Company is Canadian dollars and the functional currency of its joint venture is USD. This results in adjustment to the carrying value of the subsidiary's non-monetary assets as of the transition date.

In accordance with the IFRS 1 optional exemptions, on transition date the Company has elected to transfer the currency translation differences recognized as a separate component of equity, to deficit. Subsequent adjustments for the non-monetary assets are charged to cumulative translation adjustment (included in other comprehensive income). The net impact of this change in policy was as follows:

- At July 1, 2010, a decrease to mineral property interests of \$1,515 with the offsetting charge to deficit.
- At December 31, 2010, a decrease to mineral interests of \$9,428 and a cumulative charge of \$8,273 to other comprehensive income.
- At July 31, 2011, a decrease to mineral property interests of \$19,159 and a cumulative charge of \$18,563 to other comprehensive income.

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18. EVENTS AFTER THE REPORTING PERIOD

The following occurred subsequent to the period ended December 31, 2011:

- (i) On November 21, 2011, The Company and Magna signed the agreement in respect of the acquisition by Magna of the Company's 50% interest in American Potash. Under the terms of the agreement, Magna completed a 2 for 1 subdivision of its outstanding common shares, resulting in Magna having 22,420,000 common shares being issued and outstanding. The purchase price for the Company's 50% interest in American Potash is comprised of 22,420,000 common shares and 2,400,000 common share purchase warrants of Magna. Each warrant entitles the Company to purchase a further common share at a price of \$0.10 until February 25, 2016. Concurrent with the transfer, the Company subscribed for 6,666,666 common shares of Magna at \$0.30 per share for gross proceeds to Magna of \$2,000,000.

On January 19, 2012, the Purchase and Sale Transaction was completed. As a result, Magna holds a 100% membership interest in American Potash, which holds potash leases and an option in respect of potash lease applications in the State of Utah. Magna has an aggregate of 51,506,666 common shares and 4,800,000 common share purchase warrants exercisable at \$0.10 per share issued and outstanding (on a non-diluted basis), of which 56.47% of the shares and 50% of the warrants are held by the Company.

- (ii) On January 1, 2012, the Company engaged a consultant to perform investor relations services. The engagement is for a term of 60 days commencing on January 1, 2012 but will continue on a month to month basis. The Company has agreed to pay the consultant \$4,000 per month and has granted him 150,000 options, exercisable at \$0.47 per share on or before January 1, 2014, with 8.33% vesting each month.
- (iii) On January 30, 2012, the Company granted stock options, exercisable to purchase up to an aggregate of 2,000,000 shares of the Company, to directors and consultants of the Company. The options are all exercisable at the price of \$0.57 per share until January 30, 2017. All options were vested immediately at grant date.
- (iv) Subsequent to period end, a total of 9,061,311 share purchase warrants issued on January 17, 2011 were exercised at a price of \$0.45 for gross proceeds of \$4,077,589. A total amount of \$121,414 was transferred out of reserves and into share capital for the agent warrants exercised.

19. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform with the presentation adopted in the current year.