PACIFIC IMPERIAL MINES INC.

Condensed Interim Financial Statements

(Unaudited – prepared by Management)

For the Nine Months Ended March 31, 2012 and 2011

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements have been prepared by management of the Company and have not been reviewed by the Company's independent auditor.

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

PACIFIC IMPERIAL MINES INC.

Condensed Interim Statements of Financial Position (Unaudited)
As at March 31, 2012 and June 30, 2011
(Expressed in Canadian Dollars)

		March 31, 2012		June 30 2011		July 1 2010
				(Note 9)		(Note 9)
ASSETS						
Current assets						
Cash and cash equivalents	$	262,558	$	210,348	$	371,878
Advances and sundry receivables		10,482		12,676		6,748
Prepaid expenses		-		-		2,917
		273,040		223,024		381,543
Equipment (Note 3)		912		1,176		1,517
Total assets	$	273,952	$	224,200	$	383,060
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	$	5,961	$	17,708	$	25,946
Due to related parties (Note 4)		-		11,582		55,004
Total liabilities		5,961		29,290		80,950
SHAREHOLDERS' EQUITY						
Share capital (Note 6)		1,375,196		1,075,196		2,005,385
Contributed surplus		3,153,491		3,148,419		2,164,104
Deficit		(4,260,696)		(4,028,705)		(3,867,379)
Total shareholders' equity		267,991		194,910		302,110
Total liabilities and shareholders' equity	$	273,952	$	224,200	$	383,060

Nature of business and continuance of operation (Note 1)

These condensed interim financial statements are authorized for issue by the Board of Directors on May 24, 2012. They are signed on the Company's behalf by:

"Roman Shklanka"
Roman Shklanka, Director

"Leo King"
Leo King, Director

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

PACIFIC IMPERIAL MINES INC.

Condensed Interim Statements of Operations and Comprehensive Loss (Unaudited)
For the Nine Months Ended March 31, 2012 and 2011
(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Nine Months Ended March 31, 2012	Nine Months Ended March 31, 2011
General and Administrative Expenses				
Accounting and audit	$ 4,305	$ 3,855	$ 31,730	$ 26,775
Amortization	88	113	264	341
Legal	2,934	-	5,407	13,768
Management fees	8,700	5,100	26,100	15,300
Office and miscellaneous	5,620	2,533	11,781	10,698
Promotion and government relations	373	-	4,081	6,064
Property investigation	-	-	246	-
Share-based compensation	-	-	5,072	27,126
Transfer agent fees	753	1,244	3,352	2,726
Travel	4,307	31	50,864	31
Wages and benefits	31,213	-	93,074	-
Loss Before Other Items	58,293	12,876	231,971	102,829
Other Items				
Foreign exchange loss	-	238	20	354
Net Loss and Comprehensive Loss for the Period	$ 58,293	$ 13,114	$ 231,991	$ 103,183
Earning per share, basic and diluted	$ -	$ -	$ (0.01)	$ -
Weighted average number of shares outstanding	18,841,968	22,057,800	18,841,968	23,564,213

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

PACIFIC IMPERIAL MINES INC.

Condensed Interim Statements of Changes in Equity (Unaudited)
For the Nine Months Ended March 31, 2012 and 2011
(Expressed in Canadian Dollars)

	Share Capital				Total
	Shares	Amount	Deficit	Contributed Surplus	Shareholders' Equity
Balance, July 1, 2010	31,646,728	$ 2,005,385	$ (3,867,379)	$ 2,164,104	$ 302,110
Net loss for the period			(103,183)		(103,183)
Shares issued for debts settlement (Note 6)	300,000	27,000	-	-	27,000
Shares returned for cancellation (Note 6)	(15,104,760)	(957,189)	-	957,189	-
Share-based compensation	-	-	-	27,126	27,126
Balance, March 31, 2011	16,841,968	1,075,196	(3,970,562)	3,148,419	253,053
Net loss for the period	-	-	(58,143)	-	(58,143)
Shares issued for cash					
Private placement	2,000,000	300,000	-	-	300,000
Less: proceeds not yet received		(300,000)	-	-	(300,000)
Balance, June 30, 2011	18,841,968	1,075,196	(4,028,705)	3,148,419	194,910
Net loss for the period	-	-	(173,698)	-	(173,698)
Shares issued for cash					
Proceeds of private placement received (Note 6)	-	300,000	-	-	300,000
Share-based compensation	-	-	-	5,072	5,072
Balance, December 31, 2011	18,841,968	1,375,196	(4,202,403)	3,153,491	326,284
Net loss for the period			(58,293)		(58,293)
Balance, March 31, 2012	18,841,968	$ 1,375,196	$ (4,260,696)	$ 3,153,491	$ 267,991

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

PACIFIC IMPERIAL MINES INC.

Condensed Interim Statements of Cash Flows (Unaudited)
For the Nine Months Ended March 31, 2012 and 2011
(Expressed in Canadian Dollars)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Cash flows from (used in) operating activities				
Net loss for the period	$ (58,293)	$ (13,114)	$ (231,991)	$ (103,183)
Adjustment for items not involving cash:				
Amortization	88	113	264	341
Share-based compensation	-	-	5,072	27,126
Change in non-cash working capital items:				
Accounts payable and accrued liabilities	2,004	(3,581)	(11,747)	(23,145)
Advances and sundry receivable	145	(1,334)	2,194	(2,014)
Prepaid expenses	-	769	-	1,667
Net cash used in operating activities	(56,056)	(17,147)	(236,208)	(99,208)
Cash flows from (used in) financing activities				
Cash received from shares issued	-	-	300,000	-
Advances from/(repayment to) related parties	(6,300)	2,255	(11,582)	(23,330)
Net cash provided by (used in) financing activities	(6,300)	2,255	288,418	(23,330)
Net increase (decrease) in cash and cash equivalents during the period	(62,356)	(14,892)	52,210	(122,538)
Cash and cash equivalents, beginning of period	324,914	264,232	210,348	371,878
Cash and cash equivalents, end of period	$ 262,558	$ 249,340	$ 262,558	$ 249,340
Supplemental disclosure of cash flow information:				
Interest paid	$ -	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ -	$ -
Shares issued for debt settlement	$ -	$ -	$ -	$ 27,000

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

1. Nature of Business and Continuance of Operation

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

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

The Company has experienced losses since its inception amounting to $4,260,696 as of March 31, 2012. The ability of the Company to meet its commitments as they become payable is dependent on the ability of the Company to acquire assets or a business or an interest therein, obtain the necessary financing, and develop assets or operations which will generate cash flows, either as a result of their disposal or from ongoing operations. The Company does not currently have assets or a business capable of generating ongoing cash flows. Although the Company has sufficient cash to meet its current administrative costs, there is no assurance that the Company will be successful in making an acquisition or in raising the necessary financing to do so.

These financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and First-Time Adoption of International Financial Reporting Standards

These condensed interim financial statements, including comparatives, have been prepared by management using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

These interim financial statements are for part of the period covered by the Company's first IFRS annual financial statements to be presented in accordance with IFRS for the year ending June 30, 2012. They do not include all the disclosures required for full annual financial statements in accordance with IFRS. Note 9 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended June 30, 2011. Comparative figures for 2011 and 2010 have been restated to give effect to those changes.

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

(b) Use of Estimates

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes to the financial statements during the reporting period. Significant areas requiring the use of management estimates include future income tax

2. Summary of Significant Accounting Policies (continued)

(b) Use of Estimates (continued)

valuation allowances and assumptions used in valuing options and warrants in share-based compensation calculations. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from those estimates.

(c) Cash Equivalents

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

(d) Equipment

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

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

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

(e) Impairment of Property, Plant and Equipment

The carrying value of property, plant and equipment and intangibles, including mineral properties, are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

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

(f) Income Taxes

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

(g) Basic and diluted loss per share

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

(h) Share-based Payments

The Company has a stock-based compensation plan as disclosed in Note 6, whereby stock options are granted in accordance with the policies of regulatory authorities. The Company uses a fair value based method of accounting for stock options to directors, employees and non-employees. The fair value is determined using the Black-Scholes option pricing model with assumptions for risk-free interest rate, volatility, expected forfeiture and life of the options or warrants. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. The cost is recognized over the applicable vesting period as an increase in share-based compensation expense, with the offset credit to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

(i) Financial instruments

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

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

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

(j) Foreign Exchange

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

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

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

2. Summary of Significant Accounting Policies (continued)

(j) Foreign Exchange (continued)

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

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

(k) Accounting standards issued but not yet applied

IFRS 7, Financial Instruments: Disclosures

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

IFRS 9, Financial Instruments

This new standard introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39, Financial instruments: Recognition and measurement, derecognition of financial assets and liabilities. This new standard is not applicable until January 1, 2013 but is available for early adoption. The Company has not yet assessed the impact of this standard.

IFRS 11, Joint arrangements

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

IFRS 13, Fair value measurement

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

IAS 28, Investments in associates

IAS 28 was amended in 2011 which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted, and is not expected to significantly impact the Company.

(Expressed in Canadian Dollars)

3. Equipment

March 31, 2012		Cost		Accumulated Amortization		Net Book Value
Office equipment and furniture	$	680	$	680	$	-
Computer and software		4,191		3,279		912
Total	$	4,871		3,959	$	912

June 30, 2011						
Office equipment and furniture	$	680	$	680	$	-
Computer and software		4,191		3,015		1,176
Total	$	4,871		3,695	$	1,176

July 1, 2010						
Office equipment and furniture	$	680	$	680	$	-
Computer and software		4,191		2,674		1,517
Total	$	4,871	$	3,354	$	1,517

4. Related Party Balances and Transactions

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

		Nine Months Ended	Nine Months Ended	Amount Due to Related Parties at		
Key Management Personal	Transaction	Mar. 31 2012	Mar. 31 2011	Mar. 31 2012	June 30, 2011	July 1, 2010
Albert Wu & Associates Ltd., controlled by CFO	Accounting fees	$ 13,680	$ 13,365	$ -	$ 3,024	$ 4,144
Chelsia Cheam	Bookkeeping and Corporate Secretary Services	2,250	2,250	-	-	250
H. Leo King & Associates Inc., controlled by the President	Management fees	4,500	4,500	-	560	49,350
Roman Shklanka	Travel expenses	-	-	-	7,998	-
Kobex Minerals Inc., controlled by a director in common	Management fees	21,600	10,800	-	-	1,260
Total		$ 42,030	$ 30,915	$ -	$ 11,582	$ 55,004

During the period ended March 31, 2011, the Company issued 300,000 shares to a company controlled by a director for settlement of debt.

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

5. Gain on Disposal of a Subsidiary

The Company's former wholly-owned subsidiary Guangnan Tangshang Gold Co., Ltd. ("GGC"), China, was granted two mineral exploration licenses located in Guangnan County, Yunnan province, China, called "Tangshang Gold" and "Salachong Gold", and three mining licenses expiring October 2007, October 2011 and October 2013 respectively.

On December 3, 2007, management of the Company determined that the Company had lost its control over the assets and operations of GGC, the Tangshang and Salachong gold properties and the related mineral exploration and mining licenses to Yunnan Non-Ferrous Metals Geological Bureau ("YNGB", a former shareholder of GGC) and its subsidiary Yunnan Non-Ferrous Metals Resource (Group) Co. Ltd., which was the operator (the "Operator") engaged to carry out the mining work for the two properties. The Company effectively recognized the disposal of GGC on December 3, 2007 and recorded a disposal gain of $261,525 for the three months ended June 30, 2008.

On August 20, 2010, the Company completed the disposal of GGC by entering into a Share Purchase Agreement with the operator to transfer to YNGB all of its interest in Gold China Holdings Group Limited ("Goldchina"), including GGC, and the mineral properties in Yunnan Province, China. In consideration for the transfer, the operator agreed to pay an additional $476,000 (received during the three months ended June 30, 2010) and return 15,104,760 common shares of the Company issued in 2004 when it initially acquired Goldchina. The shares were returned and subsequently cancelled on November 3, 2010.

6. Share Capital

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

(b) Issued and outstanding:

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

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

On November 3, 2010, 15,104,760 shares were returned to the Company for cancellation (See Note 5).

On October 15, 2007, pursuant to a Mining Operations Agreement, the Company agreed to issue 7,807,333 shares of the Company to YNGB in connection with settlement of this Agreement as it pertained to GGC, its former subsidiary. As a result of the share purchase agreement dated August 20, 2010 (see Note 5) this contingent obligation no longer exists and these shares will not be issued.

(c) Options

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

(Expressed in Canadian Dollars)

6. **Share Capital** (continued)

(c) Options (continued)

The changes in options were as follows:

	Number of Options	Average Exercise price
Balance, June 30, 2010	725,000	$0.273
Granted	425,000	$0.100
Balance, June 30, 2011	1,150,000	$0.209
Granted	50,000	$0.150
Expired	(50,000)	$0.175
Balance, March 31, 2012	1,150,000	$0.208

Options outstanding and exercisable at March 31, 2012 were as follows:

Expiry Date	Number of Options	Exercise Price
June 4, 2012	675,000	$0.280
October 25, 2015	425,000	$0.100
September 16, 2016	50,000	$0.150
Balance, March 31, 2012	1,150,000	

The weighted average life of the options outstanding and exercisable at March 31, 2012 is 1.62 years (June 30, 2011 – 2.15 years).

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7. **Management of Capital**

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

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

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

(Expressed in Canadian Dollars)

8. Financial Instruments

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

As at March 31, 2012, the Company's financial instruments consist of cash and cash equivalents, accounts payable and amount due to related parties. The fair value of these financial instruments approximates the carrying value because of the short-term nature of these instruments.

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

	Mar 31 2012	June 30 2011	July 1 2010
FVTPL (i)	$ 262,558	$ 210,348	$ 371,878
Other financial liabilities (ii)	5,961	29,290	80,950

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

Fair Value

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

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

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

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

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

March 31, 2012	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 262,558	$ -	$ -	$ 262,558

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

Credit Risk

The Company is not exposed to significant credit risk.

8. Financial Instruments (continued)

Liquidity Risk

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

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

Foreign Exchange Risk

During the nine months ended March 31, 2012, the Company incurred expenses primarily in Canada. The Company does not have significant foreign exchange risk.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

9. Transition to IFRS

As stated in Note 2, these are the Company's third condensed interim financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS. The accounting policies in Note 2 have been applied in preparing the condensed interim financial statements for the nine months ended March 31, 2012, the comparative information for the nine months ended March 31, 2011, the financial statements for the year ended June 30, 2011 and the preparation of an opening IFRS statement of financial position on the Transition Date, July 1, 2010.

In preparing its opening IFRS statement of financial position, comparative information for the nine months ended March 31, 2011 and financial statements for the year ended June 30, 2011, the Company does not have adjustments to amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

IFRS 1 provides for certain mandatory exceptions and optional transition exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

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

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

(Expressed in Canadian Dollars)

9. Transition to IFRS (continued)

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

Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods. The Company's first time adoption to IFRS did not have an effect on the total operating, investing and financing cash flows.

The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive loss.

Total Equity Reconciliation	June 30, 2011	March 31, 2011	July 1, 2010
Total equity per Canadian GAAP	$ 194,910	$ 253,053	$ 302,110
Effect of transition to IFRS	-	-	-
Total equity per IFRS	$ 194,910	$ 253,053	$ 302,110

Reconciliation of comprehensive Loss	Three Months Ended March 31, 2011	Nine Months Ended March 31, 2011	Year Ended June 30, 2011
Comprehensive loss per Canadian GAAP	$ (13,114)	$ (103,183)	$ (161,326)
Effect of transition to IFRS	-	-	-
Total comprehensive loss per IFRS	$ (13,114)	$ (103,183)	$ (161,326)

Notes to Reconciliation

Under Canadian GAAP, the Company measured share-based compensation related to share purchase options at their fair value of the options granted using the Black-Scholes option pricing formula and recognized this expense over the vesting period of the options. The fair value of the options granted is measured on the date of grant. Forfeitures are recognized as they occur.

IFRS 2, similar to Canadian GAAP, requires the Company to measure share-based compensation related to share purchase options granted at the fair value of the options on the date of grant to recognize such expense over the vesting period of the options. However, all option grants are amortized using a graded amortization schedule. In addition, each vesting tranche is valued with unique assumptions, as if it were a separate grant.

The Company's share options vest immediately when awarded; hence this change in accounting policy had no effect on the Company's financial statements.

There are no differences between the statements of financial position presented under IFRS and Canadian GAAP as at the transition date, July 1, 2010, and as at June 30, 2011, and also no differences between the statements of comprehensive loss and statements of cash flows presented under IFRS for the nine months ended February 28, 2011 and for the year ended June 30, 2011.