NEVADA SUNRISE GOLD CORPORATION

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED

DECEMBER 31, 2011

(PRESENTED IN CANADIAN DOLLARS)

NEVADA SUNRISE GOLD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)
(Unaudited)

	Note	December 31, 2011	September 30, 2011 (Note 13)	October 1, 2010 (Note 13)
ASSETS				
Non Current Assets				
Other Assets		$ 3,557	$ 3,602	$ 3,591
Equipment	5	18,552	23,640	33,202
Exploration and Evaluations Assets	6	2,328,064	2,385,410	2,580,601
		2,350,173	2,412,652	2,617,394
Current Assets				
Other Current Assets		9,180	12,395	4,632
Due from Related Parties	8	2,754	2,789	-
Cash		58,187	137,339	62,680
		70,121	152,523	67,312
Total Assets		$ 2,420,294	$ 2,565,175	$ 2,684,706
EQUITY AND LIABILITIES				
Equity				
Share Capital	7	$ 7,688,030	$ 7,688,065	$ 6,371,766
Contributed Surplus	7	847,100	840,030	712,018
Subscriptions received in advance	7	50,995	-	45,000
Accumulated other comprehensive income (loss)		(16,185)	13,192	(2,620)
Deficit		(6,932,726)	(6,573,350)	(5,301,203)
		1,637,214	1,967,937	1,824,961
Current Liabilities				
Due to related Parties	8	-	155	51,449
Convertible note payable	11	548,545	496,132	696,457
Accounts Payable and accrued liabilities		234,535	100,951	111,839
		783,080	597,238	859,745
Total equity and liabilities		$ 2,420,294	$ 2,565,175	$ 2,684,706

Nature and continuance of operations	1
Commitment	10
Subsequent Events	12

These consolidated condensed interim financial statements are authorized for issue by the Board of Directors on March 30, 2012. They are signed on the Company's behalf by:

Approved by the Directors:

"William B. Henderson" Director *"Warren Stanyer"* Director

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

NEVADA SUNRISE GOLD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Presented in Canadian Dollars)
(Unaudited)

	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010 (Note 13)
GENERAL AND ADMINISTRATIVE EXPENSES		
Business insurance	$ 4,221	$ 12,292
Consulting	26,205	137,388
Depreciation	2,540	3,466
Exploration costs (Note 6)	158,665	218
Marketing	9,023	11,230
Professional fees	1,610	7,168
Rent and office expenses	38,546	23,446
Salaries and benefits	46,866	37,781
Stock-based compensation (Note 7(d))	7,070	38,243
Travel and entertainment	1,701	5,465
Loss before other items	(296,447)	(276,697)
OTHER ITEMS		
Finance (Costs)/Income (Note 11)	(55,227)	4,239
Foreign exchange gain	2,617	4,748
Interest expense	(10,319)	(12,773)
Loss for the period	(359,376)	(280,483)
Translation adjustment	(29,377)	(61,891)
Comprehensive loss for the period	$ (388,753)	$ (342,374)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	63,261,843	47,322,053

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

NEVADA SUNRISE GOLD CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Presented in Canadian Dollars)
(Unaudited)

	Share Capital						
	Number Of Shares	Amount	Contributed Surplus	Subscriptions Received in Advance	Cumulative Translation Adjustment	Deficit	Total
Balance as at October 1, 2010 (Note 13)	46,086,509	$ 6,371,766	$ 712,018	$ 45,000	$ (2,620)	$(5,301,203)	$ 1,824,961
Shares issued for cash	2,000,000	400,000		(45,000)			355,000
Share issue costs		(8,209)					(8,209)
Stock-based compensation			38,243				38,243
Exercise of warrants and stock options	2,363,334	354,500					354,500
Cumulative translation adjustment					(61,891)		(61,891)
Net loss for the period						(280,483)	(280,483)
Balance as at December 31, 2010 (Note 13)	50,449,843	$ 7,118,057	$ 750,261	-	$ (64,511)	$ (5,581,686)	2,222,121
Shares issued for cash	12,812,000	640,600					640,600
Share issue costs		(70,592)	18,563				(52,029)
Stock-based compensation			71,206				71,206
Cumulative translation adjustment					77,703		77,703
Net loss for the period						(991,664)	(991,664)
Balance as at September 30, 2011 (Note 13)	63,261,843	$ 7,688,065	$ 840,030	-	$ 13,192	$ (6,573,350)	1,967,937
Share issue costs		(35)					(35)
Subscription received in advance				50,995			50,995
Stock-based compensation			7,070				7,070
Cumulative translation adjustment					(29,377)		(29,377)
Net loss for the period						(359,376)	(359,376)
Balance as at December 31, 2011	63,261,843	$ 7,688,030	$ 847,100	$ 50,995	$ (16,185)	$ (6,932,726)	$ 1,637,214

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

NEVADA SUNRISE GOLD CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Presented in Canadian Dollars)
(Unaudited)

	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010 (Note 13)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (359,376)	$ (280,483)
Items not involving cash		
Finance cost (income)-convertible note payable	55,217	(4,239)
Depreciation	2,540	3,466
Stock-based compensation	7,070	38,243
Net change in non-cash working capital		
Other current assets	3,216	1,257
Accounts payable and accrued liabilities	134,611	(61,954)
Net cash used in operating activities	(156,722)	(303,710)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Investment)/recovery in mineral properties	27,423	(289)
Net cash provided by (used in) investing activities	27,423	(289)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital		701,290
Subscriptions received in advance	50,995	-
Due to related parties	-	(50,657)
Net cash provided by financing activities	50,995	650,633
Effect of exchange rate on cash	(848)	(3,962)
Net increase (decrease) in cash	(79,152)	342,672
Cash, beginning of period	137,339	62,680
Cash, end of period	$ 58,187	$ 405,352
Interest paid	$ -	$ -
Income taxes paid	$ -	$ 1,000

During the periods ended December 31, 2011 and 2010 there were no non-cash transactions

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nevada Sunrise Gold Corporation (the "Company") was incorporated under the laws of British Columbia on April 3, 2007 and its registered head office is 231 Cherry Avenue, Suite 201 Auburn, CA 95603. On May 15, 2007 the Company acquired all of the issued and outstanding shares of Intor Resources Corporation ("Intor") by way of reverse takeover. Intor was incorporated under the laws of the State of Nevada on September 7, 2004 as Nevada Sunrise Exploration Limited. The name of that company was changed to Intor Resources Corporation in February, 2005. The Company's principal business activities include the acquisition, exploration and development of exploration and evaluation assets.

The Company is in the process of exploring and developing its exploration and evaluation assets. The recoverability of the amounts are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

The Company's consolidated financial statements are prepared using International Financial Reporting Standards (IFRS) applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company will require additional financing or outside participation to undertake further exploration and subsequent development of its exploration and evaluation assets. Future operations of the Company are dependent on its ability to raise additional equity financing and the attainment of profitable operations.

As at December 31, 2011, the Company had a working capital deficit (excess of current liabilities over current assets) of $712,959 (September 30, 2011 – $444,715), October 1, 2010 – $792,433). Subsequent to the period ended December 31, 2011 the Company completed equity financings of $2.9 million which is considered sufficient to carry out committed exploration activities and corporate and administrative costs beyond the end of the year (Note 12).

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Conversion to International Financial Reporting Standards

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 condensed consolidated financial statements are the first to be presented in accordance with IFRS. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian GAAP.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

a) Conversion to International Financial Reporting Standards (cont'd…):

The unaudited interim consolidated financial statements for the period ended December 31, 2011 have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34") and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain mandatory exceptions required by and optional exemptions available in IFRS 1 and described in Note 13, the Company has consistently applied the same accounting policies compliant with IFRS to its Transition Date balance sheet on October 1, 2010 and throughout all subsequent fiscal periods. Note 13 describes the impact of the application of IFRS compared to Canadian GAAP on the Company's Statements of Financial position, and statement of loss and comprehensive loss and cash flows.

These unaudited interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes but are in compliance with the standards required of interim financial statements described in IAS 34. Any subsequent changes to IFRS that are reflected in the Company's consolidated financial statements for the year ending September 30, 2012 could result in restatement of these interim consolidated financial statements, including the transitional adjustments recognized as part of the change to the IFRS accounting framework. Results for the period ended December 31, 2011 are not necessarily indicative of future results.

These unaudited interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended September 30, 2011.

b) Basis of preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts are stated in Canadian dollars unless otherwise specified.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant areas requiring the use of estimates as the basis for determining the stated amounts include valuation of exploration and evaluation assets, depreciation of equipment, inputs used in the calculation of stock-based compensation, and the fair value of convertible note payable. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

c) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the following subsidiary:

Name of subsidiary	Place of incorporation	Percentage ownership	Principal Activity
Intor Resources Corp.	*USA*	100%	Exploration of mining assets

The Company consolidates the subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies.

Inter-Company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the condensed consolidated interim financial statements.

d) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the straight line basis

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Furniture and equipment	7 years
Computer equipment and software	3 years
Tenant improvements	5 years
Field equipment	7 years

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

e) Exploration and evaluation assets:

Upon acquiring the legal right to explore a mineral property, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures incurred prior to

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

e) Exploration and Evaluations assets (cont'd…):

the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred.

Exploration costs are expensed as incurred as the Company is in the process of exploring its mineral tenements and has not yet determined whether these properties contain ore reserves that are economically recoverable. If and when the Company's management determines that economically extractable proven or probable mineral reserves have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

f) Decommissioning, restoration and similar liabilities ("asset retirement obligations"):

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no asset retirement liabilities as at December 31, 2011, September 30, 2011 or October 1, 2010.

g) Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of Nevada Sunrise Gold Corp. is the Canadian dollar and the functional currency of Intor Resources Corp. is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

g) Foreign currency translation (cont'd…)

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss

Translation of subsidiary results into the presentation currency

The results and statements of financial position of all the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

1) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
2) Income and expenses for each statement of income are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
3) All resulting exchange differences are recognized as accumulated other comprehensive income (loss), a separate component of equity.

h) 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. 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.

i) Share-based compensation:

The stock option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation 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. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized 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 number of stock options that are expected to vest

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

j) Income taxes:

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the statement of financial position liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Loss per share:

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is

anti-dilutive.

l) Financial assets:

All financial assets are initially recorded at fair value and designated upon inception into one of the following four 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. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At October 1, 2010, September 30, 2011, or December 31, 2011 the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

m) Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. At December 31, 2011, the Company has classified its convertible note payable as FVTPL.

n) Derivative financial instruments:

The Company's convertible note payable is treated as a derivative financial liability. The estimated fair value, based on the Black-Scholes model, is adjusted on a quarterly basis with gains or losses recognized in the statement of net loss and comprehensive loss. The Black-Scholes model is based on significant assumptions such as volatility, dividend yield and expected term.

o) Impairment:

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely

independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

o) Impairment (cont'd…):

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

p) Share capital:

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

q) New standards, amendments and interpretations not yet effective:

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2011 and have not been applied in preparing these interim consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Financial Instruments
In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its internal consolidated statement of financial position.

Income Taxes
In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Consolidation
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 "Consolidation—Special Purpose Entities" and parts of IAS 27 "Consolidated and Separate Financial Statements". The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

q) New standards, amendments and interpretations not yet effective: (cont'd. . .)

Fair Value Measurement
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Financial instruments
The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments due in 2011. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

3. 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 the acquisition, exploration and development of exploration and evaluation assets. 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. In the management of capital, the Company includes components of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

3. CAPITAL MANAGEMENT (cont'd. . .)

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

There were no changes in the Company's approach to capital management during three months ended December 31, 2011. The Company is not subject to externally imposed capital requirements.

4. FINANCIAL INSTRUMENTS

The fair value of the Company's due from related parties, other current assets, accounts payable and accrued liabilities, convertible note payable, and due to related parties approximate their carrying value, because of the short-term nature of these instruments.

The following table illustrates the classification of the Company's financial instruments within fair value hierarchy as at:

	Level 1	Level 2	Level 3
December 31, 2011:			
Cash	$ 58,187	$ -	$ -
Debenture conversion component	-	139,121	-
	$ 58,187	$ 139,121	$ -
September 30, 2011			
Cash	$ 137,339	$ -	$ -
Debenture conversion component	-	83,894	-
	$ 137,339	$ 83,894	$ -
October 1, 2010			
Cash	$ 62,680	$ -	$ -
Debenture conversion component	-	182,617	-
	$ 68,680	$ 182,617	$ -

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

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's management believes it has no significant credit risk.

4. FINANCIAL INSTRUMENTS (cont'd…)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2011, the Company had a cash balance of $58,187 (September 30, 2011 - $137,339, October 1, 2010 - $62,680) to settle current liabilities of $783,080 (September 30, 2011 - $598,344, October 1, 2010 - $597,238). As discussed in Note 12, in March 2012 the Company closed financings which yielded gross proceeds of approximately $2.9 million. The Company believes these proceeds will allow the Company to continue operations and exploration programs beyond 2012.

Market risk

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

a) Interest rate risk

The Company has cash balances and an interest-bearing convertible note payable. The interest charged on the notes is at fixed rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions or short-term debt instruments issued by the federal government. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2011, the Company did not have any investments in investment-grade short-term deposit certificates or short-term debt issued by the federal government.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable, accrued liabilities, and convertible note payable that are denominated in US Dollars or Canadian Dollars and will be converted to the other currency.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

The Company operates in the United States and is exposed to risk from changes in the US dollar. A 10% fluctuation in the US dollar against the Canadian dollar would affect net comprehensive loss for the period by approximately $38,000.

5. EQUIPMENT

	December 31, 2011			September 30, 2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 18,300	$ 10,973	$ 7,327	$ 18,300	$ 10,393	$ 7,907
Computer equipment and software	15,887	15,384	503	15,887	15,060	827
Tenant improvements	26,339	19,858	6,481	26,339	18,424	7,915
Field equipment	11,740	6,261	5,479	11,740	5,866	5,874
	72,266	52,476	19,790	72,266	49,743	22,523
Foreign currency variance	(4,406)	(3,168)	(1,238)	(3,539)	(4,656)	1,117
	$ 67,860	$ 49,308	$ 18,552	$ 68,727	$ 45,087	$ 23,640

	October 1, 2010		
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 18,300	$ 8,072	$ 10,228
Computer equipment and software	15,887	12,028	3,859
Tenant improvements	26,339	13,638	12,701
Field equipment	11,740	4,342	7,398
	72,266	38,080	34,186
Foreign currency variance	(3,773)	(2,789)	(984)
	$ 68,493	$ 35,291	$ 33,202

NEVADA SUNRISE GOLD CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Presented in Canadian Dollar)
(Unaudited)

6. EXPLORATION AND EVALUATION OF ASSETS

Title to exploration and evaluation assets interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous historical title conveyance characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in the United States.

	Golden Arrow	Iron Point	Juniper	Kinsley Mountain	Pinnacle	Total
Balance, October 1, 2010	**$ 2,285,172**	**$ 142,012**	**$ 153,417**	**$ -**	**$ -**	**$ 2,580,601**
Acquisition costs	53,805	19	20	-	34,538	88,382
Write-off of acquisition costs	-	(136,155)	(147,088)	-	-	(283,243)
Foreign currency variance	10,281	(5,876)	(6,349)	-	1,614	(330)
Balance as at September 30, 2011	**$ 2,349,258**	**$ -**	**$ -**	**$ -**	**$ 36,152**	**$ 2,385,410**
Acquisition costs	(22,831)	-	-	(12,268)	7,677	(27,422)
Foreign currency variance	(29,486)	-	-	46	(484)	(29,924)
Balance as at December 31, 2011	**$ 2,296,941**	**$ -**	**$ -**	**$ (12,222)**	**$ 43,345**	**$ 2,328,064**

	Golden Arrow	Iron Point	Juniper	Kinsley Mountain	Pinnacle	Total
Cumulative Exploration Costs at September 30, 2011	**$ 1,750,463**	**$ 2,468**	**$ 10,601**	**$ 22,566**	**$ -**	**$ 1,786,098**
Three months ended December 31, 2011						
Drilling	-	-	-	-	-	-
Geophysical survey	153,544	-	-	-	-	153,544
Field costs	2,034	-	-	-	-	2,034
Consulting	3,087	-	-	-	-	3,087
Exploration costs, three	**158,665**	-	-	**-**	**-**	**158,665**

months ended December 31, 2011						
Total Cumulative Exploration Costs at December 31, 2011	**$ 1,909,128**	**$ 2,468**	**$ 10,601**	**$ 22,566**	**$ -**	**$ 1,944,763**

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Golden Arrow, Nevada

The Company has a mining lease and two quitclaim deeds covering certain areas of the Golden Arrow property. The mining lease agreement, which includes a 2% net smelter royalty and requires advance royalty payments of US$50,000, is set to expire in December 2016. However, the Company may extend the mining lease for additional one year terms by paying escalating annual lease payments. One of quitclaim deeds includes a 1% net smelter royalty. The other quitclaim deed includes a 3% net smelter royalty and requires annual advance royalty payments of US$25,000. The Company has the option to buy-down the net smelter royalty from 3% to 1%, in 1% increments, by making a one-time payment of US$100,000 per 1% increment reduction. If the Company elects to buy-down the net smelter royalty, the annual advance royalty payment will also be reduced proportionately.

In March 2010, the Company entered into an agreement with Animas Resources Ltd ("Animas"), whereby the Company agreed to grant Animas an option to acquire a 51% interest in the Golden Arrow property.

Animas would have exercised this option by spending an aggregate $3,500,000 in specified exploration expenditures within three years, including certain expenditures which were to occur in 2010. In March 2011, Animas terminated the Mining Lease Option for the Golden Arrow property.

Iron Point and Juniper, Nevada

The Company had mining lease agreements with a company controlled by an officer and director for two properties: Iron Point and Juniper. The Iron Point and Juniper agreements included a net smelter royalty on production of 2% and required advance minimal royalty of US$100,000 per property. Both the Iron Point and the Juniper agreements were terminated June 2011 and all related acquisition costs have been expensed.

Kinsley Mountain, Nevada

The Company also has a mining lease agreement with a company controlled by an officer and director for

the Kinsley Mountain Property. The Kinsley Mountain agreement has a sliding scale net smelter royalty rate on production from 2% to 5% depending on the price of gold and requires an annual advance minimum royalty. In 2011, the Company and the related party amended certain provisions of the mining agreement including the expiration date and the timing of advance minimum royalty payments for no additional consideration. The agreement now runs through June 2020; however Company has the right to terminate the mining lease with the related party upon thirty days written notice; or to extend the lease beyond 2020 provided the Company continues to make advance minimum royalty payments. Per the lease agreement, beginning June 2012, the Company has an obligation to expend a minimum of US$500,000 annually in exploration, development and mining activities on the Kinsley Mountain Property. The Company anticipates that the required minimum annual work obligation will be fulfilled by Pilot Gold's exploration

expenditures, as discussed below.

In March 2010, the Company entered into an agreement with Animas Resources Ltd ("Animas"), whereby the Company agreed to grant Animas an option to acquire a 51% interest in the Kinsley Mountain property. Effective September 2011, Animas conveyed its interest in the agreement to Pilot Gold USA Inc. ("Pilot Gold"). Pursuant to the agreement, Pilot Gold has exclusive right to acquire a 51% interest in the Kinsley Mountain Property by incurring an aggregate US$1.18 million in exploration expenditures, including all

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

annual property maintenance fees, advance royalty payments, and mining lease payments, by March 2013. In addition, Pilot Gold may acquire an additional 14% interest in the property by incurring an additional US$3 million in exploration expenditures within 5 years of meeting the initial expenditure requirement.

Future advance minimum royalty payments, which pursuant to agreement are to be paid by Pilot Gold, are as follows:

June 1:	US$ Advance Minimum Royalty
2012-2016	$50,000
2017	75,000
2018	100,000
2019	150,000
2020 (and each thereafter)	200,000

Pinnacle, Nevada

Effective January 2011, the Company entered a mining lease agreement with a company controlled by an officer and director covering the Pinnacle property. The agreement includes a sliding scale net smelter royalty on production from 2.5% to 5% depending on the price of gold. The Company can terminate the agreement by giving written notice prior to July 1 of the year of its determination and executing a quitclaim deed conveying its interest in the property to the related party. The agreement requires future advance minimum royalty payments as follows:

	US$ Advance Minimum Royalty
2012 (quarterly instalments)	45,000
2013 (quarterly instalments)	60,000
2014-2020 (due July 1 of each year)	60,000

In addition, the Company must pay annual property maintenance fees and a minimum work commitment of US$100,000 by the end of 2012; US$100,000 each year from 2013 through 2015; and US$250,000 per year

from 2016 through 2020.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) Authorized: Unlimited common shares, without par value

b) Issued: As of December 31, 2011 63,261,843 common shares were issued and outstanding.

In July and September 2011, the Company closed two tranches of a non-brokered private placement consisting of a total of 12,812,000 units at a price of $0.05 per unit, yielding the Company gross proceeds of $640,600. Each unit issued in connection thereof consisted of one Common Share of the Company and one-half common share purchase warrant. Each whole common share purchase warrant is exercisable to purchase an additional Common Share at a price of $0.10 per Common Share for a period of 18 months from the date of issuance. In connection with this financing, the company paid certain parties a finder's fee of $40,317 and issued a total of 991,200 common share purchase warrants exercisable at a price of $0.10 per Common Share for a period of 18 months. The fair value of such warrants, $18,563, was estimated using the Black-Sholes option pricing model with a weighted average risk free rate of 1.49% and 1.5%, an expected life of 1.5 years, expected volatility of 115% and an expected dividend yield of 0%. In addition, other offering costs totaling $11,711 were incurred in connection with the private placement. All shares and warrants issued pursuant to the private placement were subject to a four-month hold period.

In December 2010, the Company closed a non-brokered private placement consisting of 2,000,000 units at a price of $0.20 per unit, yielding the Company gross proceeds of $400,000. Each unit issued in connection thereof consists of one Common Share and one common share purchase warrant. Each common share purchase warrant is exercisable to purchase an additional Common Share at a price of $0.30 per Common Share until December 3, 2012, subject to acceleration on 30-days notice if, on any day on or after April 4, 2011 and before the expiry date of the Warrants, the Company's common shares trade at a price greater than $0.50 for a period of 10 or more trading days. All shares and warrants issued pursuant to the private placement were subject to a four-month hold period. The Company incurred $8,210 in offering costs in connection with this private placement.

Between October 1, 2010 and December 31, 2010, a total of 2,363,334 common share purchase warrants of the Company were exercised at a price of $0.15 per share, yielding the Company $354,500. Of these proceeds, $45,000 was received in September 2010 and therefore was included in Subscriptions Received in Advance as at September 30, 2010.

c) Warrants
Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance as at October 1, 2010	7,010,654	$	0.20

Warrants issued	9,397,200		0.14
Warrants expired	(4,647,320)		0.22
Warrants exercised	(2,363,334)		0.15
Balance as at September 30, 2011 and December 31, 2011	9,397,200	$	0.14

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

c) Warrants (cont'd...)

At December 31, 2011, warrants were outstanding enabling holders to acquire Common Shares as follows:

Number of Warrants		Exercise Price	Expiry Date
2,000,000		$ 0.30	December 3, 2012
6,386,000	(1)	0.10	January 25, 2013
1,011,200	(2)	0.10	March 2, 2013

(1) Includes 981,000 finders' warrants.
(2) Includes 10,200 finders' warrants.

d) Options

The Company has a stock option plan whereby it may grant options to employees, directors, consultants and certain other service providers. The maximum aggregate number of shares that may be reserved for issuance under the plan is 10% of the Outstanding Shares, less any common shares reserved for issuance under share options granted outside of this plan. Options are exercisable for a maximum of 10 years. Option shares are subject to vesting requirements as determined by the Company's Board of Directors.

The Company recognizes stock-based compensation expense for all stock options based on the fair value based method of accounting. The fair value attributable to options vesting during the period was $7,070 for the three months ended December 31, 2011 (2010 - $38,243). No options were granted during the three months ended December 31, 2011 or the three months ended December 31, 2010.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at October 1, 2010	3,625,000	$ 0.24
Options issued	-	-

Options expired	(750,000)	0.18
Options exercised	-	-
Balance as at September 30, 2011 and December 31, 2011	2,875,000	$ 0.25

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

d) Options (cont`d...)

At December 31, 2011, stock options were outstanding enabling holders to acquire shares as follows

Number of Shares		Exercise Price	Number of options Currently Exercisable	Expiry Date
1,850,000	$	0.25	1,850,000	September 18, 2013
100,000		0.25	100,000	November 5, 2013
25,000		0.25	22,907	March 5, 2014
900,000		0.25	519,446	July 29, 2015

8. RELATED PARTY TRANSACTIONS

	For the three Month Period Ended December 31, 2011	For the three Month Period Ended December 31, 2010
Professional fees to accounting firm in which officer is a member	$ 17,861	$ 18,427
Exploration costs to an affiliated company	3,568	4,279
Stock-based compensation to directors and officers	6,656	12,873

	December 31, 2011	September 30, 2011	October 1, 2010
Due from Related Parties			

Affiliated company for general and administrative expense reimbursement	$ 2,754	$ 2,789	$ -
Total due from Related Parties	$ 2,754	$ 2,789	$ -

8. RELATED PARTY TRANSACTIONS (cont'd…)

Due to Related Parties	**December 31, 2011**	**September 30, 2011**	**October 1, 2010**
Accounting Firm in which an officer is a member for accounting services	$ -	$ 155	$ -
Company controlled by an officer and director	-	-	51,449
Total due to Related Parties	$ -	$ 155	$ 51,449

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties. The amounts due to related parties are non-interest bearing, with no fixed terms of repayment. Repayment is expected within the next fiscal year and therefore has been classified as a current liability in these financial statements.

9. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of exploration and evaluation assets. All of the Company's equipment and exploration and evaluation assets are located in the United States.

10. COMMITMENT

The Company has entered into an operating lease agreement for its office premises in Auburn, California which runs through December 2012. The annual commitments under this lease are as follows:

Fiscal Year	Annual Commitment
2012	$ 41,550
2013	10,464

11. CONVERTIBLE NOTE PAYABLE

In March 2010, the Company received US$500,000 in exchange for a convertible promissory note. The note, which was due to mature on March 25, 2011, bore interest at 10% per annum and was convertible into units of the Company at a price of $0.17 per unit. Each unit consists of one Common Share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire an additional Common Share at $0.25 per Common Share, exercisable until March 25, 2011. Proceeds from the convertible

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11. CONVERTIBLE NOTE PAYABLE (con't. . .)

promissory note were used to make an option payment on the Company's Golden Arrow mineral property pursuant to the Golden Arrow mining lease agreement. The note is secured by a first charge over the Company's interest in the mining lease. In March, 2011, the Company executed an amendment to the convertible promissory note. Pursuant to the terms of the amendment, the Company repaid US$100,000 in principal and US$50,000 in interest in March 2011. The maturity of the remaining principle amount, US$400,000, was extended to March 25, 2012 and continues to bear interest at 10% per annum and is convertible into units of the Company at a price of $0.07 per unit. Each unit consists of one Common Share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire an additional Common Share at $0.12 per Common Share, exercisable for 12 months from the date of issue. The amended convertible promissory note may be prepaid in advance by the Company, provided that upon prepayment, the Company will grant 200,000 common share purchase warrants to the lender. Each such warrant will entitle the holder to acquire an additional Common Share at a price of $0.12 per Common Share, exercisable for a period of 12 months from the date of issue. The terms of the convertible note were amended subsequent to December 31, 2011 (Note 12).

The convertible note payable entitles the holder to convert the US dollar denominated loan into common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of net loss and comprehensive loss as they arise. The Company has in Canadian dollars recorded these changes in financing (costs) income.

Convertible Note Payable	**December 31, 2011**	**September 30, 2011**	**October 1, 2010**
Principal Balance, beginning of the year	$ 496,132	$ 696,457	$
Borrowings/(Repayments)		(100,024)	520,965
Fair market value adjustments	55,227	(98,723)	182,617
Foreign currency variance	(2,814)	(1,578)	(6,508)
Principal Balance, end of year	$ 548,545	$ 496,132	$ 696,457

12. SUBSEQUENT EVENTS

In January 2012, the Company executed a second amendment to the outstanding convertible promissory note ("Second Amendment"). Pursuant to the Second Amendment, the Company paid principal of US$110,000 and interest of US$40,000 in three installments of US$50,000 each in January, February and March 2012. The maturity date of the remaining principal balance, US$290,000, is extended to March 25, 2013. The convertible promissory note may be pre-paid in advance by the Company without penalty. In addition, the convertible promissory note is convertible into units of the Company at a price of $0.07 per unit, each unit issued in connection thereof consists of one Common Share and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to

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12. SUBSEQUENT EVENTS (cont'd…)

purchase an additional Common Share at $0.12 per Common Share, exercisable until March 25, 2013. The loan continues to bear simple interest at 10% per annum payable upon the earlier of maturity or conversion.

In March 2012, the Company completed three separate private placements as follows:

a) The Company completed a non-brokered private placement of 2,857,142 units (the "Units") at a price of $0.07 per Unit. Each Unit consisted of one common share of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase an additional common share (a "Warrant Share") at an exercise price of $0.10 per Warrant Share until March 16, 2014. All securities issued under the private placement are subject to a four-month hold period, during which time the securities may not be traded.

b) The Company completed a private placement, of units (the "Units") at a price of $0.12 per Unit (the "Offering"). A total of 16,700,000 Units were issued, for total proceeds of $2,004,000. Each Unit consisted of one common share of the Company (a "Share") and one half of one common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase an additional common share (a "Warrant Share") at an exercise price of $0.20 per Warrant Share for a period of 24 months from the date of issuance, subject to earlier expiry at any time after four months and one day from the date of issuance, at the option of the Company, if the daily volume weighted average price of the common shares of the Company is greater than $0.32 per share over a period of 20 consecutive trading days, in which case the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. In consideration for the services provided by the Agent, the Company issued to the Agent 1,586,667 Units. Proceeds from the Offering will be used to fund the exploration of the Company's North-American precious metals properties and as general working capital.

c) The Company also completed a non-brokered private placement. The Company issued 6,250,000 Units. (the "Units") at a price of $0.12 per Unit. Each Unit consisted of one common share of the Company (a "Share") and one-half of one common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to purchase an additional common share (a "Warrant Share") at an exercise price of $0.20 per Warrant Share for a period expiring March 23, 2014. If the Company's common shares trade at a daily volume weighted average price of greater than $0.32 per share for a period of 20 consecutive trading days at any time after four months and one day after the closing, the Company may accelerate the expiry date of the Warrants by giving notice to the holders notice thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. The securities issued in the private placement are subject to a four month hold period which expires July 24, 2012.

In March 2012, the Company granted incentive stock options to certain directors, officers, and employees of the Company to purchase up to 2.425 million common shares in the capital stock of the Company pursuant to its shareholder approved stock option plan. All of the options vested immediately and are exercisable at a price of $0.22 per common share, expiring on March 13, 2017.

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1). The first date at which IFRS was applied was October 1, 2010 ("Transition Date"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the accounting policies in Note 2 have been applied in preparing these condensed consolidated financial statements for the periods ended December 31, 2011 and 2010, the year ended September 30, 2011 and the opening IFRS statement of financial position as at October 1, 2010. The previously presented 2010 Canadian GAAP financial information has been reconciled to the IFRS information as part of this transition note in accordance with the requirements of IFRS 1. Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 election or exception. These are discussed below.

Elections upon first-time adoption of IFRS

The IFRS 1 exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

(a) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 (2008) Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 (2008) to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

(b) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002 or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date.

During the year ended September 30, 2011, the Company would have recorded $109,449 as share-based compensation versus $108,981 in share-based compensation under Canadian GAAP. As a result, $468 has been adjusted to share-based compensation expense in the statement of operations and the same amount would be adjusted in contributed surplus in the statement of equity.

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

(c) IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

(d) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless 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.

Reconciliations of Canadian GAAP to IFRS

The reconciliations between GAAP and IFRS are provided below. There are no significant differences between IFRS and GAAP in connection with the Company's statements of cash flows for the period ended December 31, 2010 or the year ended September 30, 2011.

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRSs as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis below and the tables following represent the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

(a) Share-based payments

IFRS 2, similar to Canadian GAAP, requires the Company to measure share-based payment related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a "graded vesting" methodology as opposed to the straight-line vesting method allowed under Canadian GAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods; while under Canadian GAAP, forfeitures of awards are recognized as they occur.

Under IFRS graded vesting methodology, during the three months ended December 31, 2010, the Company would have recorded $38,243 as share-based payment versus $48,130 share-based compensation under Canadian GAAP. As a result, a reduction of $9,887 has been adjusted to share-based compensation expense

in the statement of operations and the same amount has been adjusted in contributed surplus in the statement of equity.

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

(b) Convertible note payable

The convertible note payable entitles the holder to convert the US dollar denominated loan into common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of net loss and comprehensive loss as they arise. The Company has in Canadian dollars (unless otherwise indicated) recorded these changes in financing income and expenses. Under Canadian GAAP, the equity portion of the convertible debenture was classified as equity and changes in fair value were not recognized.

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

	Note	As at October 1, 2010			As at December 31, 2010			As at September 30, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS										
Non-current										
Equipment		$ 33,202	$	$ 33,202	$ 28,755	$	$ 28,755	$ 23,640	$	$ 23,640
Other Assets		3,591		3,591	3,488		3,488	3,602		3,602
Exploration and evaluation assets		2,580,601		2,580,601	2,507,684		2,507,684	2,385,410		2,385,410
		2,617,394		2,617,394	2,539,927		2,539,927	2,412,652		2,412,652
Current assets										
Cash		62,680		62,680	405,352		405,352	137,339		137,339
Other current assets		4,632		4,632	3,376		3,376	12,395		12,395
Due from related parties		-		-	-		-	2,789		2,789
Total assets		$2,684,706	$ -	$2,684,706	$2,948,655	$ -	$2,948,655	$2,565,175	$ -	$2,565,175
EQUITY AND LIABILITIES										
Current liabilities										
Due to related parties		$ 51,449	$	$ 51,449	$ 180	$	$ 180	$ 155	$	$ 155
Convertible note payable	(b)	504,813	191,644	696,457	495,213	182,622	677,835	405,224	90,908	496,132
Accounts payable and accrued liabilities		111,839		111,839	48,519		48,519	100,951		100,951
		668,101	191,644	859,745	543,912	182,622	726,534	506,330	90,908	597,238
Equity										
Share capital		6,371,766		6,371,766	7,118,057		7,118,057	7,688,065		7,688,065
Contributed surplus	(a)	619,144	92,874	712,018	662,274	82,987	750,261	765,666	74,364	840,030
Subscriptions received in advance		45,000		45,000	-		-	-		-
Equity component of convertible note payable	(b)	18,978	(18,978)	-	18,978	(18,978)	-	14,537	(14,537)	-
Accumulated other comprehensive income		(2,620)		(2,620)	(64,511)		(64,511)	13,192		13,192
Deficit	(a)(b)	(5,035,663)	(265,540)	(5,301,203)	(5,335,055)	(246,631)	(5,581,686)	(6,422,615)	(150,735)	(6,573,350)
		2,016,605	(191,644)	1,824,961	2,404,743	(182,622)	2,222,121	2,058,845	(90,908)	1,967,937
Total equity and liabilities		$2,684,706	$ -	$2,684,706	$2,948,655	$ -	$2,948,655	$2,565,175	$ -	$2,565,175

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

	Note	Three Months Ended December 31, 2010			Year Ended September 30, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES							
Accretion	(b)	$ 4,783	$ (4,783)	$ -	$ 16,550	$ (16,550)	$ -
Business insurance		12,292		12,292	34,579		34,579
Consulting		137,388		137,388	255,777		255,777
Depreciation		3,466		3,466	11,663		11,663
Exploration costs		218		218	197,814		197,814
Marketing		11,230		11,230	52,828		52,828
Professional fees		7,168		7,168	71,506		71,506
Rent and office expense		23,446		23,446	107,323		107,323
Salaries and benefits		37,781		37,781	182,290		182,290
Share based compensation	(a)	48,130	(9,887)	38,243	108,981	468	109,449
Travel and entertainment		5,465		5,465	14,789		14,789
		291,367	(14,670)	276,697	1,054,100	(16,082)	1,038,018
OTHER ITEMS							
Write-off of exploration		-		-	(283,243)		(283,243)
Finance (Cost)/ Income	(b)	-	4,239	4,239	-	98,723	98,723
Foreign exchange (loss) gain		4,748		4,748	(5,380)		(5,380)
Interest expense		(12,773)		(12,773)	(44,229)		(44,229)
		(8,025)	4,239	(3,756)	(332,852)	98,723	(234,129)
Loss for the period		$ (299,392)	$ 18,909	$ (280,483)	$ (1,386,952)	$ 114,805	$ (1,272,147)
Translation adjustment		(61,891)	-	(61,891)	15,812	-	15,812
Net loss and comprehensive loss for the period		$ (361,283)	$ 18,909	$ (342,374)	$ (1,371,140)	$ 114,805	$ (1,256,335)