

**STINA RESOURCES LTD.**  
**Condensed Consolidated Interim Financial Statements**  
**Six Months Ended March 31, 2012**

**Expressed in Canadian Dollars**

### **NOTICE TO READER**

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

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

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

**STINA RESOURCES LTD.**

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Prepared by Management)

Expressed in Canadian dollars

	Notes	March 31, 2012	September 30, 2011 (Note 13)	October 1, 2010 (Note 13)
<b>ASSETS</b>				
Current assets				
Cash		\$ 13,346	\$ 24,519	\$ 1,869,396
Short term investments	4	800,000	1,225,000	750,000
Receivables	5	13,034	66,114	33,905
Prepays		5,353	5,353	-
		831,733	1,320,986	2,653,301
Non-current assets				
Reclamation bond	7	21,768	21,768	21,768
Equipment	6	4,446	5,210	-
Exploration and evaluation assets	7	7,493,074	7,328,720	5,124,660
		\$ 8,351,021	\$ 8,676,684	\$ 7,799,729
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities				
Accounts payable and accrued liabilities	8 and 13	\$ 36,617	\$ 133,742	\$ 198,039
Asset retirement obligation		21,768	21,768	21,768
Other liabilities	13	-	-	15,384
Due to related parties	11	60,356	58,480	58,679
		118,741	213,990	293,870
Shareholders' equity				
Share capital	9	11,587,648	11,587,648	10,688,744
Reserves	10	1,965,115	1,967,691	1,626,896
Deficit		(5,320,483)	(5,092,645)	(4,809,781)
		8,232,280	8,462,694	7,505,859
		\$ 8,351,021	\$ 8,676,684	\$ 7,799,729

**Nature of operations and going concern (Note 1)****Summary of significant accounting policies (Note 2)****Commitments (Note 7)**

"Jim Wall" Director  
Jim Wall

"Sidney Mann" Director  
Sidney Mann

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

**STINA RESOURCES LTD.**

## Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited - Prepared by Management)

Expressed in Canadian dollars

	Notes	Three Months Ended		Six Months Ended	
		March 31, 2012	March 31, 2011 (Note 13)	March 31, 2012	March 31, 2011 (Note 13)
<b>Expenses</b>					
Accounting, audit and legal		\$ 42,108	\$ 9,829	\$ 52,373	\$ 17,926
Amortization		382	24	764	24
Consulting fees	11	16,500	15,000	52,828	\$ 30,000
Exchange loss (gain)		126	145	162	\$ (38)
Office and sundry		8,598	25,399	18,010	\$ 44,895
Regulatory fees and shareholder		5,900	6,100	6,225	13,461
Rent		2,000	3,000	6,000	6,000
Salaries and benefits	11	34,508	9,000	64,677	18,000
Stock based compensation		-	85,946	(2,576)	85,946
Transfer agent		1,930	2,807	3,360	6,694
Travel and promotion		21,798	28,294	27,097	39,017
<b>Total expenses</b>		<b>(133,850)</b>	<b>(185,544)</b>	<b>(228,920)</b>	<b>(261,925)</b>
<b>Other items</b>					
Flow-through expense		-	-	-	(10,800)
Deferred tax recovery	13	-	-	-	4,195
Write down property expense		-	-	-	(1,403)
Interest income		977	941	1,082	1,592
		977	941	1,082	(6,416)
<b>Net loss for the period</b>		<b>(132,873)</b>	<b>(184,603)</b>	<b>(227,838)</b>	<b>(268,341)</b>
<b>Total loss and comprehensive loss for the period</b>		<b>(132,873)</b>	<b>(184,603)</b>	<b>(227,838)</b>	<b>(268,341)</b>
Weighted average number of common shares					
outstanding (basic and diluted)		26,037,499	25,537,499	26,037,499	25,385,231
Basic and diluted net loss per share		\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

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

**STINA RESOURCES LTD.**

Condensed Consolidated Interim Statements of Shareholders' Equity

(Unaudited - Prepared by Management)

Expressed in Canadian Dollars

	Notes	Share Capital		Reserves		Total
		Number of Com shares	Amount	Warrant and Stock Option Reserve	Deficit	
<b>Balance Forward at October 1, 2010</b>	<b>13</b>	<b>24,078,928</b>	<b>\$ 10,688,744</b>	<b>\$ 1,626,896</b>	<b>\$ (4,809,781)</b>	<b>\$ 7,505,859</b>
Loss for the period to March 31, 2011					(268,341)	(268,341)
Total comprehensive loss for the period to March 31, 2011					(5,078,122)	7,237,518
Shares for Private Placement		1,458,571	922,400	-	-	922,400
Allocate FV of Warrants		-	(221,496)	221,496	-	-
Shares for Mineral Properties		-	-	-	-	-
Stock-based compensation		-	-	85,946	-	85,946
<b>Balance at March 31, 2011</b>		<b>25,537,499</b>	<b>11,389,648</b>	<b>1,934,338</b>	<b>\$ (5,078,122)</b>	<b>\$ 8,245,864</b>
Loss for the period to September 30, 2011					(14,523)	(14,523)
Total comprehensive loss for the period					(14,523)	(14,523)
Shares for Private Placement		-	-	-	-	-
Allocate FV of Warrants		-	-	-	-	-
Shares For Mineral Property		500,000	198,000	-	-	198,000
Stock-based compensation		-	-	33,353	-	33,353
<b>Balance at September 30, 2011</b>	<b>13</b>	<b>26,037,499</b>	<b>11,587,648</b>	<b>1,967,691</b>	<b>(5,092,645)</b>	<b>8,462,694</b>
Loss for the period to March 31, 2012					(227,838)	(227,838)
Total comprehensive loss for the period					(227,838)	(227,838)
Shares for Private Placement		-	-	-	-	-
Allocate FV of Warrants		-	-	-	-	-
Shares for Mineral Property		-	-	-	-	-
Stock-based compensation		-	-	(2,576)	-	(2,576)
<b>Balance at March 31, 2012</b>		<b>26,037,499</b>	<b>\$ 11,587,648</b>	<b>\$ 1,965,115</b>	<b>\$ (5,320,483)</b>	<b>\$ 8,232,280</b>

**STINA RESOURCES LTD.**

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Prepared by Management)

Expressed in Canadian Dollars

	Notes	Three Months Ended		Six Months Ended	
		March 31, 2012	March 31, 2011 (Note 13)	March 31, 2012	March 31, 2011 (Note 13)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net loss for the period	13	\$ (132,873)	\$ (184,603)	\$ (227,838)	\$ (268,341)
Adjustments to reconcile loss to net cash used in operations:					
Amortization		382	24	764	24
Interest income	13	(977)	(941)	(1,082)	(941)
Stock based compensation		-	85,946	(2,576)	85,946
Write down of mineral property interest		-	-	-	1,403
Changes in non-cash working capital items:					
Receivables		8,873	(9,744)	53,080	(45,662)
Prepays		-	(100,000)	-	(100,000)
Other liabilities		-	(10,800)	-	(4,195)
Accounts payable and accrued liabilities		(85,512)	(143,474)	(97,125)	(175,918)
Net cash used in operating activities		(210,107)	(363,592)	(274,777)	(507,684)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Short-term investments redeemed (purchased)		225,000	180,000	425,000	(1,975,000)
Interest received	13	977	941	1,082	941
Equipment purchased		-	(765)	-	(765)
Evaluation and exploration assets, net of recoveries		(28,450)	(50,441)	(164,354)	(276,741)
Net cash provided by (used in) investing activities		197,527	129,735	261,728	(2,251,565)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Issuance of share capital, net of issue costs		-	-	-	922,400
Advances to related parties		2,003	-	1,876	(326)
Net cash provided by financing activities		2,003	-	1,876	922,074
<b>Decrease in cash</b>		(10,577)	(233,857)	(11,173)	(1,837,175)
<b>Cash, beginning of the period</b>		23,923	266,078	24,519	1,869,396
<b>Cash, end of the period</b>		\$ 13,346	\$ 32,221	\$ 13,346	\$ 32,221
Supplemental disclosure of cash flow information:					
Mineral property exploration expenditures included in accounts payable		\$ 4,686	\$ -	\$ 4,686	\$ -

**1. Nature and continuance of operations**

Stina Resources Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia, Canada, and its principal activity is the exploration of its mineral properties in Canada and the United States. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "SQA".

The corporate office and principal place of business of the Company is 717 – 165 LaRose Avenue, Etobicoke, Ontario, Canada, M9P 3S9.

These unaudited consolidated condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2012 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares.

**2. Significant accounting policies and basis of preparation**

The financial statements were authorized for issue on May 28, 2012 by the directors of the Company.

***Statement of compliance and conversion to International Financial Reporting Standards***

The condensed consolidated interim financial statements of the Company have been prepared in accordance with the principles of 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 financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended September 30, 2011. However, this interim financial report, being the first IFRS financial report, provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 13.

***Basis of preparation***

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

## 2. Significant accounting policies and basis of preparation (cont'd)

### ***Consolidation***

These consolidated financial statements include the accounts and operations of the Company and the Company's wholly-owned subsidiary, Stina Resources Nevada Ltd. since inception on December 14, 2009. Stina Resources Nevada Ltd. was incorporated in the United States of America.

All intercompany balances and transfers were eliminated upon consolidation.

### ***Significant accounting judgments, estimates and assumptions***

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

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

### ***Foreign currency translation***

The financial statements are presented in Canadian dollars which is the Company's and its subsidiary's functional currency. The Company presently conducts the majority of its activities in Canada.

### **Transactions and balances:**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.



**2. Significant accounting policies and basis of preparation (cont'd)**

***Foreign currency translation (cont'd)***

***Resource property interests***

Resource property interests are composed of exploration and evaluation expenditures which include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

***Share-based payments***

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

## 2. Significant accounting policies and basis of preparation (cont'd)

### ***Financial instruments (cont'd)***

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

### ***Impairment of assets***

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### ***Cash and cash equivalents***

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

## 2. Significant accounting policies and basis of preparation (cont'd)

### **Deferred income tax:**

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### **Flow-Through Shares:**

Share capital includes flow-through shares which is a unique Canadian tax incentive pursuant to certain provisions of the Canadian Income Tax Act. Proceeds from the issuance of flow-through shares are used to fund qualified exploration and evaluation expenditures and the related income tax deductions are renounced to the subscribers of the flow-through shares. Any premium paid for flow-through shares in excess of the market value of the shares without flow-through features, at the time of issue, is credited to accrued liabilities. Upon completion of the qualifying expenditures and renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

### **Restoration and environmental obligations:**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration 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 restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration 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 mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

## 2. Significant accounting policies and basis of preparation (cont'd)

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

### **Equipment**

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Amortization is calculated on the declining balance basis at the following annual rates:

Computer equipment	30%
Office equipment	25%

One-half the normal rate is recorded in the year of acquisition.

## 3. Accounting standards issued by not yet effective

**IFRS 9 Financial Instruments** – IFRS 9 is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. This new standard is effective for annual periods beginning on or after January 1, 2015. The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

**IFRS 10 Consolidated Financial Statements** - 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*.

**IFRS 11 Joint Arrangements** - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

**IFRS 12 Disclosure of Interests in Other Entities** - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

**3. Accounting standards issued by not yet effective (cont'd)**

**IFRS 13 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.

**IFRS 20 Stripping costs** – On October 24, 2011 the IASB issued IFRIC Interpretation 20 clarifying when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

**Amendments to other standards** - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 9 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

**4. Short term investments**

	March 31, 2012	September 30, 2011
Short-term investments	\$ 800,000	\$ 1,225,000

Short-term investments include money market based investments and guaranteed investment certificates where initial maturity is more than ninety days. These investments may be redeemed at the Company's option without significant penalty. These investments bear interest at the Bank of Montreal (BMO) Prime rate less 1.80%. The carrying value approximates the fair value of these investments.

**5. Accounts receivable**

	March 31, 2012	September 30, 2011
Harmonized sales tax receivables	\$11,753	77,328
Other receivables	1,281	(11,214)
	\$13,034	\$ 66,114

**6. Equipment**

	Computer Equipment	Office Equipment	Total
<b>Cost:</b>			
At October 1, 2010	\$ -	\$ -	\$ -
Additions	765	4,758	5,523
Disposals	-	-	-
At September 30, 2011	765	4,758	5,523
Additions	-	-	-
Disposals	-	-	-
At March 31, 2012	765	4,758	5,523
<b>Depreciation:</b>			
At October 1, 2010	\$ -	\$ -	\$ -
Charge for the period	75	238	313
Eliminated on disposal	-	-	-
At September 30, 2011	75	238	313
Charge for the period	86	678	764
Eliminated on disposal	-	-	-
At March 31, 2012	161	916	1,077
<b>Net book value:</b>			
At October 1, 2010	-	-	-
At September 30, 2011	690	4,520	5,210
<b>At March 31, 2012</b>	<b>\$ 604</b>	<b>\$ 3,842</b>	<b>\$ 4,446</b>

**7. Exploration and Evaluation Assets**

	Six months ended March 31, 2012	Year ended September 30, 2011
Bisoni McKay Vanadium Property, Nevada, USA		
Acquisition costs:		
Balance, beginning of period	\$ 2,859,526	\$ 2,859,526
Staking and claim costs	453	-
Balance, end of period	2,859,979	2,859,526
Exploration expenditures:		
Balance, beginning of period	793,133	719,190
Economic study		39,349
Geological consulting	1,762	22,966
Claim fees and staking	(2,621)	6,147
Storage	2,814	5,481
Balance, end of period	795,088	793,133
Total Bisoni McKay Vanadium Property	3,655,067	3,652,659

(continues)

**7. Exploration and Evaluation Asset (cont'd)**

	Six months ended March 31, 2012	Year ended September 30, 2011
Kodiak Property, Yukon, Canada		
Acquisition costs:		
Balance, beginning of period	\$ 608,674	\$ 334,675
Cash payment	-	100,000
200,000 shares at \$0.39	-	78,000
Tax effect of costs renounced in favour of vendor	-	95,999
Balance, end of period	<u>608,674</u>	<u>608,674</u>
Exploration expenditures:		
Balance, beginning of period	379,149	301,772
Assaying		12,835
Geological consulting	(1,364)	13,718
Geomagnetic	-	26,830
Helicopter rentals	-	8,704
Trenching	-	15,290
Balance, end of period	<u>377,785</u>	<u>379,149</u>
Total Kodiak Property	986,459	987,823
Dime Property, Yukon, Canada		
Acquisition costs:		
Balance, beginning of period	747,332	428,000
Cash payment	-	100,000
300,000 shares at \$0.40	-	120,000
Tax effect of costs renounced in favour of vendor	-	99,332
Balance, end of period	<u>747,332</u>	<u>747,332</u>
Exploration expenditures:		
Balance, beginning of period	1,940,906	480,095
Assaying	65,162	65,947
Camp accommodation	16,097	211,117
Drilling	-	402,118
Geological consulting	42,786	203,352
Geomagnetic	(4,686)	51,050
Helicopter rentals	11,576	327,871
Soil sampling	-	24,613
Salaries	32,375	70,625
Trenching	-	104,118
Balance, end of period	<u>2,104,216</u>	<u>1,940,906</u>
Total Dime Property	2,851,548	2,688,238

(continues)

**7. Exploration and Evaluation Assets (cont'd)**

	Six months ended March 31, 2012	Year ended September 30, 2011
Zeibright Property, California, USA		
Acquisition costs:		
Balance, beginning of period	-	1,402
Write down of property	-	(1,402)
Balance, end of period	-	-
<b>Total Exploration and Evaluation Assets</b>	<b>\$ 7,493,074</b>	<b>\$ 7,328,720</b>

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

a) **Bisoni MacKay Property, Nevada**

On April 25, 2005, Company entered into a property option agreement with Vanadium International Co. ("Vanadium") to purchase a 50% undivided interest in 19 mining claims (the Bisoni MacKay Vanadium Property) covering 392.6 acres, located in Nye County, Nevada, USA. The optioned claims are subject to a 2.5% Net Smelter Royalty (NSR) payable to the vendor.

The Company earned its 50% interest, by making a series of cash payments totaling \$250,000 (\$175,000 of which was settled for 175,000 shares), issuing 1,250,000 shares to Vanadium, as well as funding \$700,000 of exploration activities.

During 2008, the Company exercised a purchase option, included in the original property option agreement, to acquire the remaining 50% interest in the mining claims, for a 100% total interest, subject to the 2.5% NSR. Consideration under the purchase option included a US\$2,000,000 payment to the vendor. The US\$2,000,000 option payment was satisfied in a share settlement through the issuance of 1,995,600 common shares at a stated value of \$0.9978 per share. These shares have been recorded at management's estimate of fair value of \$0.7982 per share, based on a 20% discount from the quoted market price at the time of the share issuance to factor in market conditions and a large block discount.

The Company has staked an additional 18 claims in the area which are contiguous with the existing claims.

During 2008, the Company posted a reclamation bond with the Nevada state government should the Company not complete any required site reclamation or environmental remediation. Effective October 1, 2008, the Company recorded an asset retirement obligation of \$21,768 relating to the Company's activities on the property.

b) **Kodiak Property, Yukon**

On June 18, 2009, the Company entered into an option agreement with Ryanwood Exploration Inc. ("REI") pursuant to which REI has agreed to grant the Company an option to purchase a 100% beneficial interest in 152 mining claims located in the Dawson Mining District, Yukon Territory, subject to REI retaining a 2% NSR.



**7. Exploration and Evaluation Assets (cont'd)**

b) **Kodiak Property, Yukon – cont'd**

To exercise its option, the Company must make the following payments, share issuances and expenditures:

Cash payments:

- \$75,000 within five days of Exchange approval (paid)
- \$50,000 on or before June 15, 2010 (paid)
- \$100,000 on or before June 15, 2011 (paid)
- \$75,000 on or before June 15, 2012
- \$75,000 on or before June 15, 2013

Shares:

- 250,000 common shares of the Company within five days of Exchange approval (issued)
- 200,000 common shares of the Company on or before June 15, 2010 (issued)
- 200,000 common shares of the Company on or before June 15, 2011 (issued)
- 200,000 common shares of the Company on or before June 15, 2012
- 250,000 common shares of the Company on or before June 15, 2013

Exploration Expenditures:

- \$100,000 on or before November 18, 2009 (incurred)
- \$200,000 on or before November 15, 2010 (incurred)
- \$300,000 on or before November 18, 2011 (extended to November 18, 2012)
- \$500,000 on or before November 15, 2012

The Company has the option to purchase one half of the NSR for a payment of two million dollars.

c) **Dime Property, Yukon**

On July 23, 2009, the Company entered into a property option agreement with REI to earn a 100% interest in 308 claims in the Dawson Mining District, Yukon Territory, subject to a 2% NSR in favor of the optionor.

To exercise its option, the Company must make the following payments and expenditures:

Cash payments:

- \$125,000 within fifteen days of Exchange approval (paid)
- \$125,000 on or before June 26, 2010 (paid)
- \$100,000 on or before June 26, 2011 (paid)
- \$100,000 on or before June 26, 2012
- \$150,000 on or before June 26, 2013

Shares:

- 200,000 common shares of the Company within five days of Exchange approval (issued)
- 200,000 common shares of the Company on or before June 26, 2010 (issued)
- 300,000 common shares of the Company on or before June 26, 2011 (issued)
- 300,000 common shares of the Company on or before June 26, 2012
- 250,000 common shares of the Company on or before June 26, 2013

## 7. Exploration and Evaluation Assets (cont'd)

### c) Dime Property, Yukon – cont'd

#### Exploration Expenditures:

- in the amount of \$100,000 on or before November 15, 2009 (incurred)
- an additional amount of \$250,000 on or before November 15, 2010 (incurred)
- an additional amount of \$500,000 on or before November 15, 2011 (incurred)
- an additional amount of \$750,000 on or before November 15, 2012 (incurred)

The Company has the option to purchase one half of the NSR for a payment of two million dollars.

### d) Zeibright Mine, California, USA

On February 19, 2009, the Company entered into an option agreement with Steephollow Resources Inc. ("SRI"), pursuant to which SRI has agreed to grant the Company an option to purchase a 100% beneficial interest in certain mining claims located in Nevada County, California, United States. The claims are subject to a 2% NSR.

To exercise the option, the Company must: (i) incur and finance exploration expenditures on the property of not less than \$100,000, on or before the second anniversary of the approval date of the option agreement by the Exchange (approved March 18, 2009); and (ii) allot and issue one million shares in the capital stock of the Company to SRI upon the completion of such exploration expenditures.

The Company entered into a suboption agreement (the "Suboption Agreement") with Gordon Lee (the "Optionee") who has the right to earn 70% of the Zeibright Gold Property (the "Property") from the Company by conducting US\$2 million of exploration work on the property over four years. The Company has an option to earn 100% of the Zeibright Property from SRI in consideration for exploration expenditures of \$100,000 within two years and the payment of 1 million common shares. Both the Company and SRI have agreed to transfer 70% of the Company's interest to the Optionee under the Suboption Agreement in consideration that the exploration expenditures under the Suboption Agreement will be applied to the Company's obligation. The Company is still required to issue the shares to SRI.

The Optionee was required to expend amounts according to the following schedule:

- \$200,000 by July 18, 2010
- \$300,000 by April 18, 2011
- \$500,000 by April 18, 2012
- \$1,000,000 by April 18, 2013

The Company also maintains the right to buy back a 20% interest in the Property for the payment of \$500,000 within ninety (90) days after the Optionee has exercised its option.

The Company did not receive confirmation of the expenditures required by July 18, 2010 and the option agreement has been terminated with the Optionee with no ongoing obligations for the Company.

During the prior year the Company decided not to proceed with the option and has written down staking and claim costs of \$1,402.

**8. Accounts payables and accrued liabilities**

	<b>March 31, 2012</b>	<b>September 30, 2011</b>
Accounts payables	\$ 19,369	\$ 42,856
Exploration payables	4,686	68,324
Accrued liabilities	12,562	22,562
	<b>\$ 36,617</b>	<b>\$ 133,742</b>

**9. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

	Six months ended March 31, 2012		Year ended September 30, 2011	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance, beginning of period	26,037,499	11,587,648	24,078,928	10,688,744
Issued during the period:				
Cash, private placement				
- at \$0.70	i)	-	1,458,571	1,021,000
Share issue costs		-		(98,600)
Mineral Property:				
- at \$0.39	ii)	-	200,000	78,000
- at \$0.40	iii)	-	300,000	120,000
Warrants reallocated		-	-	(221,496)
Balance, end of period	<u>26,037,499</u>	<u>11,587,648</u>	<u>26,037,499</u>	<u>11,587,648</u>

- i) On October 19, 2010, the Company completed a non-brokered private placement of 1,458,571 share units at \$0.70 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at \$0.85 per share until October 19, 2012. The warrant component of the share unit has an estimated fair value of \$221,496 using the Black-Scholes Option Pricing Model under the following assumptions: expected life 2 years; volatility 96.55%; risk free rate of return 1.45%; dividend yield 0%. The fair value of the warrant component has been reallocated to contributed surplus. Finders fees of \$98,600 in cash were paid in connection with this private placement.
- ii) On June 15, 2011, the Company issued 200,000 common shares, at an estimated fair value of \$0.39 per share as part of a property acquisition. Fair value was determined using the quoted price at the time of the transaction.
- iii) On June 24, 2011, the Company issued 300,000 common shares, at an estimated fair value of \$0.40 per share as part of a property acquisition. Fair value was determined using the quoted price at the time of the transaction.

## 9. Share capital (cont'd)

### Stock options

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

The changes in options during the six month period ended March 31, 2012 and the year ended September 30, 2011 are as follows:

	March 31, 2012		September 30, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	1,900,000	\$ 0.38	1,500,000	\$ 0.39
Options expired	(450,000)	0.33	400,000	0.36
Options outstanding, end of period	1,450,000	\$ 0.40	1,900,000	\$ 0.38
Options exercisable, end of period	1,450,000	\$ 0.40	1,900,000	\$ 0.38

Details of options outstanding as at March 31, 2012 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding
\$0.30	2.59 years	375,000
\$0.46	3.35 years	825,000
\$0.33	4.13 years	250,000
\$0.40	3.29 years	1,450,000

The grant date fair value of options granted during the six month period ended March 31, 2012 was \$nil (year ended September 30, 2011 - \$119,299). The fair value was determined using the Black-Scholes option pricing model using the following assumptions:

	Six month period ended March 31, 2012	Year ended September 30, 2011
Expected life of options	-	5 years
Annualized volatility	-	98 - 111%
Risk-free interest rate	-	2.15 - 2.71%
Dividend rate	-	0%

## 9. Share capital (cont'd)

### Warrants

September 30, 2011	Issued	(Expired)	(Exercised)	December 31 2011	Terms
200,000	-	-	-	200,000	\$.73 and 1 warrant to September 24, 2012
1,156,672	-	-	-	1,180,000	\$.85 and 1 warrant to September 28, 2012
729,286	-	-	-	729,286	\$.85 and 1 warrant to October 19, 2012
<u>2,490,958</u>	-	-	-	<u>2,490,958</u>	

## 10. Reserves

The reserves recorded in equity on the Company's balance sheet is composed of the value of stock option grants and share purchase warrants issued prior to exercise at which time the corresponding amount will be transferred to share capital.

## 11. Related party transactions

The Company entered into the following transactions with related parties:

- a) The Company incurred consulting fees in the amount of \$33,000 (2011 - \$30,000) with a company owned by a director for consulting services.
- b) The Company incurred consulting wages in the amount of \$35,226 (2011 - \$nil) with a senior officer and director.
- c) The Company incurred consulting wages in the amount of \$21,000 (2011 - \$nil) with a director.
- d) At March 31, 2012, prior advances totalling \$60,356 (September 30, 2011 - \$60,483) were due to a company controlled by a director. The advances are unsecured, non-interest bearing, and have no specific terms of repayment.
- e) At March 31, 2012, advances totalling \$nil (September 30, 2011 - \$1,163) were due from a director. The advances are unsecured, non-interest bearing, and have no specific terms of repayment.
- f) At March 31, 2012, advances totalling \$nil (September 30, 2011 - \$840) were due from a senior officer and director. The advances are unsecured, non-interest bearing, and have no specific terms of repayment.

### Key management personnel compensation

	Six month periods ended	
	March 31, 2012	March 31, 2011
Short-term employee benefits – management fees	\$ -	\$ -
Short-term employee benefits - consulting fees	33,000	30,000
Short-term employee benefits – salaries and wages	56,226	-
	<u>\$ 89,226</u>	<u>\$ 30,000</u>

## 12. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

### Credit Risk

The Company is exposed to credit risk by holding cash and short-term investments. Holding the cash and short-term investments in large Canadian financial institutions minimizes this risk. The Company has minimal accounts receivable exposure, and its various refundable credits are due from Canadian governments.

### Currency Risk

The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as one of its mineral property interests is located in Ireland. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

### Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates. The income earned on certain bank accounts is subject to the movements in interest rates. Currently, this risk will have an immaterial effect on operations.

### Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Company is at risk to changes in commodity prices which may affect financing options available to the Company.

### Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company manages this risk by careful management of its working

### Capital Management

The Company is engaged in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental issues and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

The Company includes cash and equity in the definition of capital. Equity is comprised of issued common shares, contributed surplus, and deficit.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

## 12. Financial risk management (cont'd)

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

***Classification of financial instruments***

The Company has designated its cash and short-term investments as held-for-trading, which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and amounts due to related parties are classified as other financial liabilities, which are measured at amortized cost.

***Fair value***

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of assets and liabilities measured on a recurring basis include cash and short-term investments which are based on Level 1 inputs as they are measured with reference to identical demand instruments at BMO. Management estimates that the recorded values of all accounts receivable, accounts payable, and amounts due to and from related parties approximate their current fair values because of their nature and anticipated settlement dates (Level 3).

**13. Transition to IFRS**

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in its financial statements commencing with the interim financials statements for the three month period ended December 31, 2011. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

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

***Exemptions applied***

The Company has applied the following optional transition exemptions to full retrospective application of IFRS, as permitted by IFRS 1:

- IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before October 1, 2010.
- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to October 1, 2010, which have been accounted for in accordance with Canadian GAAP.

**13. Transition to IFRS (cont'd)**

The following tables present reconciliations of assets, liabilities and shareholder's equity, loss and comprehensive loss and cash flows between certain amounts presented under IFRS versus those amounts as previously presented under Canadian GAAP.

**Reconciliation of assets**

	Notes	As at September 30, 2011			As at October 1, 2010		
		Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS
<b>ASSETS</b>							
<b>Current assets</b>							
Cash		\$ 24,519	\$ -	\$ 24,519	\$ 1,869,396	\$ -	\$ 1,869,396
Short-term investments		1,225,000	-	1,225,000	750,000	-	750,000
Receivables		66,114	-	66,114	33,905	-	33,905
Prepays		5,353	-	5,353	-	-	-
		1,320,986	-	1,320,986	2,653,301	-	2,653,301
<b>Non-current assets</b>							
Reclamation bond		21,768	-	21,768	21,768	-	21,768
Equipment		5,210	-	5,210	-	-	717
Exploration and evaluation assets		-	7,328,720	7,328,720	-	5,124,660	5,124,660
Mineral property interests	13 (c)	7,328,720	(7,328,720)	-	5,124,660	(5,124,660)	-
<b>TOTAL ASSETS</b>		<b>\$ 8,676,684</b>	<b>\$ -</b>	<b>\$8,676,684</b>	<b>\$ 7,799,729</b>	<b>\$ -</b>	<b>\$ 7,799,729</b>



13. Transition to IFRS (cont'd)

*Reconciliation of liabilities and shareholders' equity*

	Notes	As at September 30, 2011			As at October 1, 2010		
		Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payables and accrued liabilities		\$ 133,742	\$ -	\$ 133,742	\$ 198,039	\$ -	\$ 198,039
Asset retirement obligation		21,768	-	21,768	21,768	-	21,768
Other liabilities		-	-	-	11,189	4,195	15,384
Due to related parties		58,480	-	58,480	58,679	-	58,679
<b>TOTAL LIABILITIES</b>		<b>213,990</b>	<b>-</b>	<b>213,990</b>	<b>289,675</b>	<b>4,195</b>	<b>293,870</b>
<b>SHAREHOLDERS' EQUITY</b>							
Share capital		11,356,879	230,769	11,587,648	10,457,975	230,769	10,688,744
Contributed surplus		1,967,691	(1,967,691)	-	1,626,896	(1,626,896)	-
Reserves		-	1,967,691	1,967,691	-	1,626,896	1,626,896
Deficit		(4,861,876)	(230,769)	(5,092,645)	(4,574,817)	(234,964)	(4,809,781)
<b>TOTAL EQUITY</b>		<b>8,462,694</b>	<b>-</b>	<b>8,462,694</b>	<b>7,510,054</b>	<b>(4,195)</b>	<b>7,505,859</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>\$ 8,676,684</b>	<b>\$ -</b>	<b>\$8,676,684</b>	<b>\$ 7,799,729</b>	<b>\$ -</b>	<b>\$ 7,799,729</b>

**13. Transition to IFRS (cont'd)*****Reconciliation of loss and comprehensive loss for the three month period ended March 31, 2011***

There was no effect on the three month period ended March 31, 2011 due to IFRS.

***Reconciliation of loss and comprehensive loss for the six month period ended March 31, 2011***

	Note	Canadian GAAP	March 31, 2011 Effect of Transition	IFRS
<b>Expenses</b>				
Accounting, audit, and legal		\$ 17,926	\$ -	\$ 17,926
Amortization		24	-	24
Consulting fees		30,000	-	30,000
Foreign exchange		(38)	-	(38)
Office supplies and secretarial		44,895	-	44,895
Regulatory and filing		13,461	-	13,461
Rent		6,000	-	6,000
Salaries and benefits		18,000	-	18,000
Stock-based compensation		85,946	-	85,946
Transfer agent fees & filing		6,694	-	6,694
Travel and promotion		39,017	-	39,017
		<u>(261,925)</u>	<u>-</u>	<u>(261,925)</u>
				-
<b>Other items</b>				
Interest income		1,592	-	1,592
Deferred tax recovery	13 (d)	-	4,195	4,195
Flowthrough interest expense		(10,800)	-	(10,800)
Write down property interest		(1,403)	-	(1,403)
		<u>(10,611)</u>	<u>4,195</u>	<u>(6,416)</u>
Net loss and comprehensive loss		<u>\$ (272,536)</u>	<u>\$ 4,195</u>	<u>\$ (268,341)</u>
Loss per share - basic and diluted		<u>(0.01)</u>		<u>(0.01)</u>

**13. Transition to IFRS (cont'd)*****Reconciliation of loss and comprehensive loss for the year ended September 30, 2011***

		<u>September 30, 2011</u>		
	<u>Note</u>	<u>Canadian GAAP</u>	<u>Effect of Transition</u>	<u>IFRS</u>
<b>Expenses</b>				
Accounting, audit and legal		\$ 54,319	\$ -	\$ 54,319
Amortization		313	-	313
Consulting fees		157,864	-	157,864
Exchange (gain) loss		(849)	-	(849)
Office and sundry		61,023	-	61,023
Regulatory fees and shareholder communications		13,219	-	13,219
Rent		12,000	-	12,000
Stock-based compensation		119,299	-	119,299
Transfer agent		9,908	-	9,908
Travel and promotion		83,149	-	83,149
		<u>(510,245)</u>	<u>-</u>	<u>(510,245)</u>
<b>Other items</b>				
Write down of mineral property interest		(1,402)	-	(1,402)
Interest income		29,257	-	29,257
		<u>27,855</u>	<u>-</u>	<u>27,855</u>
<b>Loss before income taxes</b>		<b>(482,390)</b>	<b>-</b>	<b>(482,390)</b>
Deferred tax recovery	13(d)	<u>195,331</u>	<u>4,195</u>	<u>199,526</u>
<b>Net loss and comprehensive loss</b>		<u><b>\$ (287,059)</b></u>	<u><b>\$ 4,195</b></u>	<u><b>\$ (282,864)</b></u>
<b>Loss per share– basic and diluted</b>		<u><b>(0.01)</b></u>		<u><b>(0.01)</b></u>

**13. Transition to IFRS (cont'd)*****Reconciliation of cash flows for the three month period ended March 31, 2011***

	Note	Canadian GAAP	March 31, 2011 Effect of Transition	IFRS
<b>Operating activities</b>				
Net loss for period	13	\$ (184,603)	\$ -	\$ (184,603)
Adjustments				-
Amortization		24	-	24
Interest income	13	-	(941)	(941)
Stockbased compensation		85,946	-	85,946
Write down property interest		-	-	-
		<u>(98,633)</u>	<u>(941)</u>	<u>(99,574)</u>
Changes in non-cash working cap				
Accounts receivable		(9,744)	-	(9,744)
Deposits and prepaids		(100,000)	-	(100,000)
Other liabilities	13	(10,800)	-	(10,800)
Accounts payable/accrued liab		(143,474)	-	(143,474)
		<u>(362,651)</u>	<u>-</u>	<u>(363,592)</u>
<b>Financing Activities</b>				
Interest received	13	-	941	941
		<u>-</u>	<u>941</u>	<u>941</u>
<b>Investing Activities</b>				
Short-term investments		180,000	-	180,000
Purchase of fixed assets		(765)	-	(765)
Resource property expenditures		(50,441)	-	(50,441)
		<u>128,794</u>	<u>-</u>	<u>128,794</u>
<b>Decrease in cash</b>		<b>(233,857)</b>	<b>-</b>	<b>(233,857)</b>
<b>Cash beginning of period</b>		<b>266,078</b>	<b>-</b>	<b>266,078</b>
<b>Cash end of period</b>		<b>\$ 32,221</b>	<b>\$ -</b>	<b>\$ 32,221</b>

**13. Transition to IFRS (cont'd)****Reconciliation of cash flows for the six month period ended March 31, 2011**

	Note	Canadian GAAP	March 31, 2011 Effect of Transition	IFRS
<b>Operating activities</b>				
Net loss for period	13	\$ (272,536)	\$ 4,195	\$ (268,341)
Adjustments				
Amortization		24	-	24
Interest income	13	-	(941)	(941)
Stockbased compensation		85,946	-	85,946
Write down property interest		1,403	-	1,403
		<u>(185,163)</u>	<u>3,254</u>	<u>(181,909)</u>
Changes in non-cash working cap				
Accounts receivable		(45,662)	-	(45,662)
Deposits and prepaids		(100,000)	-	(100,000)
Other liabilities	13	-	(4,195)	(4,195)
Accounts payable/accrued liab		(175,918)	-	(175,918)
		<u>(506,743)</u>	<u>(4,195)</u>	<u>(507,684)</u>
<b>Financing Activities</b>				
Issuance of share capital		922,400	-	922,400
Advances to related parties		(326)	-	(326)
Interest received	13	-	941	941
		<u>922,074</u>	<u>941</u>	<u>923,015</u>
<b>Investing Activities</b>				
Short-term investments		(1,975,000)	-	(1,975,000)
Purchase of fixed assets		(765)	-	(765)
Resource property expenditures		(276,741)	-	(276,741)
		<u>(2,252,506)</u>	<u>-</u>	<u>(2,252,506)</u>
<b>Decrease in cash</b>		<b>(1,837,175)</b>	<b>-</b>	<b>(1,837,175)</b>
<b>Cash beginning of period</b>		<b>1,869,396</b>	<b>-</b>	<b>1,869,396</b>
<b>Cash end of period</b>		<b>\$ 32,221</b>	<b>\$ -</b>	<b>\$ 32,221</b>

13. **Transition to IFRS (cont'd)**

**Reconciliation of assets, liabilities and equity as at March 31, 2011**

	Note	March 31, 2011		
		Canadian GAAP	Effect of Transition	IFRS
<b>Current assets</b>				
Cash		\$ 32,221	\$ -	\$ 32,221
Short-term investments		2,725,000	-	2,725,000
Receivables		79,567	-	79,567
Prepays		100,000	-	100,000
		<u>2,936,788</u>	<u>-</u>	<u>2,936,788</u>
Reclamation bond		21,768	-	21,768
Fixed assets		741	-	741
Exploration and evaluation assets			5,399,998	5,399,998
Mineral property interests		5,399,998	(5,399,998)	-
		<u>\$ 8,359,295</u>	<u>\$ -</u>	<u>\$ 8,359,295</u>
<b>Current liabilities</b>				
Accounts payable		\$ 22,121	\$ -	\$ 22,121
Asset retirement obligation		21,768	-	21,768
Due to related parties		58,353	-	58,353
Part XXII.6 tax payable		11,189	-	11,189
		<u>113,431</u>	<u>-</u>	<u>113,431</u>
Share capital	13	11,158,879	230,769	11,389,648
Contributed surplus	13(b)	1,934,338	(1,934,338)	-
Reserves	13(b)	-	1,934,338	1,934,338
Deficit	13(d)	(4,847,353)	(230,769)	(5,078,122)
		<u>8,245,864</u>	<u>-</u>	<u>8,245,864</u>
		<u>\$ 8,359,295</u>	<u>\$ -</u>	<u>\$ 8,359,295</u>

**Notes to reconciliations**

(a) Share-based payments

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

### 13. Transition to IFRS (cont'd)

(b) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves.

(c) Exploration and evaluation assets

Under Canadian GAAP all mineral property interests were recorded to mineral property and equipment. Under IFRS these have been reclassified to exploration and evaluation assets.

(d) Flow-through shares

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146 "Flow-through Shares". At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a future income tax liability with a charge directly to shareholders' equity. Through October 1, 2010, the cumulative future tax liability charged to shareholders' equity totaled \$250,000. Also under Canadian GAAP the Company records a deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of operations, which, through October 1, 2010 totaled \$250,000.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the Company's common shares without the flow-through features at the time of issue is initially recorded as an other liability. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the other liability will be reversed both by way of charges to operations during the period. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

The issue date premium paid for the flow-through common shares, which was measured as the excess of the consideration paid over the quoted market price of the underlying common stock totaled \$19,231. As a result of the renunciation of the related expenditures, the other liability was reduced to \$4,915 as of October 1, 2010 and \$nil during the first quarter of fiscal 2011.

As described above, upon renunciation the Company also recognized a deferred tax liability of \$195,467 through October 1, 2010 which was increased by \$54,533 to \$250,000 during the first quarter of fiscal 2011. Each of these amounts was immediately reduced to \$nil at the time of initial recognition by an offset upon recognition of previously unrecognized tax benefits resulting in related net deferred tax provision of \$nil for all periods.

(e) Interest income

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

# **Stina Resources Ltd.**

## **Management Discussion & Analysis for the 2nd Quarter March 31, 2012**

**Ste 717 – 165 LaRose Ave.  
Etobicoke, ON M9P 3S9  
Tel (416) 368-2271 / Fax: (416) 368-2635**



**STINA RESOURCES LTD.****FORM 51-102F1**

**Management's Discussion & Analysis  
for the 1st Quarter Ended March 31, 2012  
(and containing information as of May 28, 2012)**

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**STINA RESOURCES LTD.**

**FORM 51-102F1**

**Management's Discussion & Analysis  
for the 4th Quarter Ended March 31, 2012  
(and containing information as of May 28, 2012)**

**Item 1: INTERIM MD&A**

**Forward-looking Information**

This Management Discussion and Analysis ("MD&A") contains certain forward-looking statements and information relating to Stina Resources Ltd. (the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of Company exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

**NATURE OF BUSINESS:**

Stina Resources Ltd. (the "Company") is incorporated under the laws of British Columbia and is engaged in the acquisition, exploration and development of resource properties. The Company's primary activity is the exploration of the Dime and Kodiak Gold properties in the Klondike Region of the Yukon, Canada, in addition to the Bisoni McKay Vanadium Property in northern Nevada.

The Company's shares are traded on the TSX Venture Exchange under the symbol SQA.

**1.1 DATE**

The following discussion and analysis was approved by the Directors of the Company and should be read in conjunction with the audited financial statements for year ended September 30, 2011, and unaudited financial statements for the quarters ending December 31, 2011, June 30, 2011, March 31, 2011, and the related notes thereto. All figures are in Canadian dollars unless otherwise noted.

**1.2 OPERATIONS DETAIL AND FINANCIAL CONDITIONS:**

- (a) Acquisitions & Dispositions:

**See Note 7 of Financial Statements – Exploration and Evaluation Assets**

1) **Bisoni McKay Vanadium Property in Nevada**

In 2005 the company entered into an option agreement with Vanadium International Corp. (VIC) to acquire 50% of the rights to 19 mining claims covering 392.6 acres, located in Nye County, Nevada, USA, called the Bisoni McKay Vanadium Property. In earning its interest, the Company made cash payments totaling \$250,000, issued 1,250,000 shares to Vanadium, and funded \$700,000 of exploration activities.

On July 3, 2008 the Company issued an additional 800,000 common shares to VIC in a shares for debt arrangement to complete the initial 50% acquisition, then issued an additional 1,995,600 shares at a deemed price of \$1 (Canadian) per share to Vanadium as payment of the \$2-million (U.S.) purchase price (based on a deemed exchange rate of \$1 (Canadian):\$1.0022 (U.S.)) to VIC as option payment for the remaining 50% of the property. Stina now holds 100% of the rights to 37 mineral claims on the property.

2) **Zeibright Gold Property in California**

On February 19, 2009, the Company entered into an option agreement with Steephollow Resources Inc. (“SRI”), pursuant to which SRI has agreed to grant the Company an option to purchase a 100% beneficial interest in certain mining claims located in Nevada County, California, United States. The claims were subject to a 2% NSR. The Company decided not to proceed with the option on February 18, 2011 and wrote down staking and claim costs of \$1,402.

3) **Kodiak Gold Property in the Yukon**

On June 19, 2009 the Company entered into an option agreement with Ryanwood Exploration Inc. (“REI”) to purchase a 100-per-cent beneficial interest in 152 mining claims located in the Dawson mining district, Yukon Territory, generally known and described as the Kodiak Property, subject to a 2-per-cent net smelter interest in favour of REI.

Pursuant to the option agreement, to exercise the option the Company must:

Pay to REI:

- \$75,000 within five days after the approval date of the option agreement by the TSX-V (**Paid**);
- \$50,000 on or before June 15, 2010; (**Paid**)
- \$100,000 on or before June 15, 2011; (**Paid**)
- \$75,000 on or before June 15, 2012;
- \$75,000 on or before June 15, 2013.

Issue and deliver to REI:

- 250,000 common shares of the company within five days after the approval date of the option agreement by the TSX V (**Issued**);
- 200,000 common shares of the company on or before June 15, 2010; (**Issued**)
- 200,000 common shares of the company on or before June 15, 2011; (**Issued**)
- 200,000 common shares of the company on or before June 15, 2012;
- 250,000 common shares of the company on or before June 15, 2013.

Incur expenditures:

- In the amount of \$100,000 on or before Nov. 18, 2009; (**Incurred**)
- In the additional amount of \$200,000 on or before Nov. 15, 2010; (**Incurred**)
- In the additional amount of \$300,000 on or before Nov. 15, 2011; (**Extended to Nov 18, 2012**)
- In the additional amount of \$500,000 on or before Nov. 15, 2012.

The Kodiak property claim block consists of 152 claims covering 30 square kilometers or 6400 acres and ties on to the southern side of Underworld white gold property. The Kodiak claim block also straddles Thistle creek which was the richest placer gold-producing creek in the area given up more than 63,000 ounces of placer gold since the turn of the century.

REI is the property vendor for Kinross’ (formerly Underworld's) White Property and has re-evaluated the Geological Survey of Canada database for similar positive indicators for white-style mineralization. The GSC airborne magnetic data indicate the Kodiak claims are sitting on the same regional north - south magnetic high anomaly that Underworld's white gold property is now covering. The GSC silt survey of the Thistle area indicates a 90-per-cent percentile gold anomaly, a 98-per-cent percentile arsenic anomaly and up to 99-per-cent percentile silver anomaly all draining from the Kodiak property. Again, all positive indicator elements in white-gold-style mineralization. The third piece of data that increases the Kodiak potential is the GSC geology map. The GSC geology map has noted a northwest and northeast trending regional structure and the same geological units were mapped by the GSC on both the white and Kodiak properties which consist of DMa amphibolites, DMogt orthogneiss, and DMps quartz mica schist.

Results from the 2010 soil survey have extended the main 2009 northwest-trending soil anomaly (Main Northwest trend) to a strike length of four km and defined a second parallel four km long anomaly, with values up to 856.8 ppb gold (No. 2 Northwest trend), approximately one km to the southwest. The location that had a 856.8 ppb gold could not be trenched due to steep topography. Infill sampling on the Zipper trend in 2010 has outlined a gold anomalous zone at the junction of the northerly Zipper trend with the Main Northwest trend.

#### 4) Dime Gold Property in the Yukon

On July 23, 2009 the Company entered into an option agreement with Ryanwood Exploration Inc. (“REI”) to acquire a 100 per-cent beneficial interest in 128 mining claims located in the Dawson mining district, Yukon Territory, generally known and described as the Dime Property, subject to a 2-per-cent net smelter interest in favour of REI (the Company has the option to purchase one-half of the net smelter return royalty for a payment of \$2-million).

Pursuant to the option agreement, to exercise the option the Company must:

##### Pay to REI:

- \$125,000 within 15 days after the approval date of the option agreement by the TSX Venture Exchange; **(Paid)**
- \$125,000 on or before June 26, 2010; **(Paid)**
- \$100,000 on or before June 26, 2011; **(Paid)**
- \$100,000 on or before June 26, 2012;
- \$150,000 on or before June 26, 2013.

##### Issue and deliver to REI:

- 200,000 common shares of the company within five days after the approval date of the option agreement the TSX Venture Exchange; **(Issued)**
- 200,000 common shares of the company on or before June 26, 2010; **(Issued)**
- 300,000 common shares of the company on or before June 26, 2011; **(Issued)**
- 300,000 common shares of the company on or before June 26, 2012;
- 250,000 common shares of the company on or before June 26, 2013.

##### Incur expenditures:

- In the amount of \$100,000 on or before Nov. 15, 2009; **(Incurred)**
- In the additional amount of \$250,000 on or before Nov. 15, 2010; **(Incurred)**
- In the additional amount of \$500,000 on or before Nov. 15, 2011; **(Incurred)**
- In the additional amount of \$750,000 on or before Nov. 15, 2012. **(Incurred)**

The Dime property is located 42 kilometers northwest of the Kinross (formerly Underworld’s) White Gold project and covers a well-known placer gold creek called Ten Mile. Ten Mile creek has produced coarse placer gold since the turn of the century and the placer deposits are believed to be locally derived. In 1998 Teck Corp. staked the ground surrounding two placer gold districts in the Dawson area. One was the area now covered by Underworld’s White Gold property and the second one was a claim package in the Ten Mile Creek area. Teck worked on both properties for two or three seasons and successfully identified several promising targets; however, the company changed its focus in 2000 and dropped all their gold exploration efforts in the Dawson area.

In early 2010, the Company announced results of 2009 exploration consisting of a 191-soil-sample program, collected on a grid covering about 37 hectares on the Dime property. The gold values in the survey reached as high as 6,082 parts per billion or six grams per ton gold and defined an easterly trend.

The 2010 soil survey collected a total of 3401 soil samples covering a total of 13.2 square kilometers, or (1,322 hectares) or 3268 acres (5.1 square miles) which represent 21% of the property sample so far. Three new gold soil anomalies were discovered. The soil anomalies were named as geographic locations relative to each other hence the names are, West anomaly,

Central anomaly, and East anomaly. The three gold soil anomalies appear to be structurally controlled with the West soil anomaly running in an east west direction (following a slight east west magnetic anomaly), the Central Anomaly is center on a

north south magnetic low structure and the Eastern soil anomaly appears to be related to separate north south magnetic low structure. Follow-up trenching (1,125 m in nine trenches) confirmed the soil results from anomalies with better results.

A five hole drilling program included 5 core drill holes totaling 657 meters from three separate drill pads. Two pads (2 holes each) were located on the western anomaly near the high soil sample, and one pad on the eastern anomaly. The program was successful in hitting mineralization in every hole, including 0.71 g/t over 32 m, and 4.15 g/t over 1.5m on holes 4 and 3 respectively. The Dime gold property is a significant new discovery in the White gold district and Stina is pleased with the results of the 2010 program.

See Section 1.3 (2) below for recent exploration information

### Disposal of Northern Seas Division

The Company elected to dispose of the Northern Seas health food division as of September 30, 2009. The business was voluntarily shut down at that time, recoverable assets transferred to the Company and non-recoverable assets written off. The Company assumed any Northern Seas liabilities as of that date.

### Selected Financial Information:

The following table sets forth selected audited financial information of the Company for the last 3 completed financial years.

	FISCAL YEARS ENDED		
	September 30, 2011*	September 30, 2010	September 30, 2009
Total Revenue	\$ -	\$ -	\$ 60,625
Gross Profit	\$ -	\$ -	\$ 45,321
Operating Expenses	\$ 510,245	\$ 906,418	\$ 332,709
Net Income (Loss)	\$ (287,059)	\$ (661,363)	\$ (323,955)
Loss Per Share	\$ (0.01)	\$ (0.03)	\$ (0.02)
Total Assets	\$ 8,676,684	\$ 7,799,729	\$ 5,833,188

### Summary of Quarterly Results

The following table sets forth selected (unaudited) quarterly financial information for each of the last eight most recently completed quarters:

	QUARTERS ENDED			
	Mar. 31, 2012*	Dec. 31, 2011*	Sept. 30, 2011*	June 30, 2011*
Total Revenue	\$-	\$ -	\$ -	\$ -
Gross Profit	\$-	\$ -	\$ -	\$ -
Oper. Expenses	\$ 133,849	\$ 95,071	\$ 157,877	\$ 90,442
Net Income (Loss)	\$ (132,872)	\$ (94,966)	\$ 72,990	\$ (87,513)
Income (Loss) Per Share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Total Assets	\$ 8,351,021	\$ 8,567,403	\$ 8,676,684	\$ 8,471,791
Total Liabilities	\$ 118,741	\$ 202,251	\$ 213,990	\$ 115,440
	QUARTERS ENDED			
	Mar. 31, 2011*	Dec. 31, 2010*	Sept. 30, 2010**	June 30, 2010**
Total Revenue	\$ -	\$ -	\$ -	\$ -
Gross Profit	\$ -	\$ -	\$ -	\$ -
Oper. Expenses	\$ 185,544	\$ 76,382	\$ 487,713	\$ 54,346
Net Income (Loss)	\$ (184,603)	\$ (83,738)	\$ (534,031)	\$ (53,764)
(Loss) Per Share	\$ (0.01)	\$ 0.00	\$ (0.03)	\$ 0.00
Total Assets	\$ 8,359,295	\$ 8,612,224	\$ 7,799,729	\$ 5,880,889
Total Liabilities	\$ 113,431	\$ 267,703	\$ 289,675	\$ 116,039

\* In accordance with IFRS

\*\*In accordance with Canadian GAAP

**Expenditure Comparison and Variances – Stina Administration Division:**

**Increases:** \$32,279 in Accounting, audit and legal, mainly as a result of the bulk of allocation of audit services to quarter two, \$25,508 in Salaries and benefits, as a result of a new employee hired after the second quarter of 2011.

**Decreases:** (\$16,801) in Office and sundry; (\$85,946) in Stock-based compensation; (\$6,496) in Travel and promotion.

**Expenditure Comparison and Variances – Mineral Exploration Division:**

During the period between September 1, 2012 and March 31, 2012 Mineral Exploration Division expenditures totaling \$164,354 were classified as Mineral Property Interests in the Company assets, for a total of \$7,493,074 as of March 31, 2012. Of this amount, \$453 was classified as acquisition costs

**-See Note 7 of Financial Statements**

**Comparative mineral exploration and evaluation assets as follows:**

	Six months ended March 31, 2012	Year ended September 30, 2011
	<u>                    </u>	<u>                    </u>
Bisoni McKay Vanadium Property, Nevada, USA		
Acquisition costs:		
Balance, beginning of period	\$ 2,859,526	\$ 2,859,526
Staking and claim costs	453	-
Balance, end of period	<u>2,859,979</u>	<u>2,859,526</u>
Exploration expenditures:		
Balance, beginning of period	793,133	719,190
Economic study		39,349
Geological consulting	1,762	22,966
Claim fees and staking	(2,621)	6,147
Storage	2,814	5,481
Balance, end of period	<u>795,088</u>	<u>793,133</u>
Total Bisoni McKay Vanadium Property	3,655,067	3,652,659

(continues)

*Exploration and Evaluation Assets (cont'd)*

	Six months ended March 31, 2012	Year ended September 30, 2011
Kodiak Property, Yukon, Canada		
Acquisition costs:		
Balance, beginning of period	\$ 608,674	\$ 334,675
Cash payment	-	100,000
200,000 shares at \$0.39	-	78,000
Tax effect of costs renounced in favour of vendor	-	95,999
Balance, end of period	<u>608,674</u>	<u>608,674</u>
Exploration expenditures:		
Balance, beginning of period	379,149	301,772
Assaying	-	12,835
Geological consulting	(1,364)	13,718
Geomagnetic	-	26,830
Helicopter rentals	-	8,704
Trenching	-	15,290
Balance, end of period	<u>377,785</u>	<u>379,149</u>
Total Kodiak Property	986,459	987,823
Dime Property, Yukon, Canada		
Acquisition costs:		
Balance, beginning of period	747,332	428,000
Cash payment	-	100,000
300,000 shares at \$0.40	-	120,000
Tax effect of costs renounced in favour of vendor	-	99,332
Balance, end of period	<u>747,332</u>	<u>747,332</u>
Exploration expenditures:		
Balance, beginning of period	1,940,906	480,095
Assaying	65,162	65,947
Camp accommodation	16,097	211,117
Drilling	-	402,118
Geological consulting	42,786	203,352
Geomagnetic	(4,686)	51,050
Helicopter rentals	11,576	327,871
Soil sampling	-	24,613
Salaries	32,375	70,625
Trenching	-	104,118
Balance, end of period	<u>2,104,216</u>	<u>1,940,906</u>
Total Dime Property	2,851,548	2,688,238

(continues)

	Six months ended March 31, 2012	Year ended September 30, 2011
Zeibright Property, California, USA		
Acquisition costs:		
Balance, beginning of period	-	1,402
Write down of property	-	(1,402)
Balance, end of period	-	-
<b>Total Exploration and Evaluation Assets</b>	<b>\$ 7,493,074</b>	<b>\$ 7,328,720</b>

**Bisoni McKay Budget**

A budget of between \$50,000 and \$137,000 has been set for further metallurgical testing and bulk sampling on material recovered from the Bisoni McKay property.

**Yukon Exploration Budget**

A budget of between \$250,000 and \$400,000 has been set for the Dime and Kodiak properties in 2012. (See Section 1.3 below)

**Liquidity and Solvency**

The company's liquidity will depend upon its ability to raise financing for the continued development of the Bisoni McKay property, the Kodiak property and the Dime property.

During the period ended March 31, 2012 cash resources (including short-term investments) decreased \$436,173 from September 30, 2011

As of March 31, 2012 the Company had working capital of \$712,992 (September 30, 2011 – \$1,106,996).

**Capital Resources**

The Company's liquidity depends upon its ability to raise additional financing to meet exploration requirements and working capital obligations. The Company raised an additional \$3.1 million in September and October 2010 through non-brokered private placements. The Company has cash for 2012 working capital, and is exploring raising capital for the 2012 exploration programs.

**1.3 EXPLORATION, NEWS RELEASES & MATERIAL CHANGE REPORTS****1) Kodiak Gold Property in the Yukon Territory**

In August 2009 the Company initiated a work program on the Kodiak property in the Dawson Mining District of the Yukon Territory. The Kodiak property claim block consists of 152 claims covering 30 square kilometers or 6400 acres and ties on to the southern side of Underworld White Gold Property. The Kodiak claim block also straddles Thistle creek which was the richest placer gold-producing creek in the area given up more than 63,000 ounces of placer gold since the turn of the century.

Shawn Ryan of Ryanwood Exploration Inc ("REI") was contracted by the Company to establish a grid 6 kilometers long by 2 kilometers wide for acquiring approximately 1,925 soil samples along the anomaly at 50 metre intervals, along north-south



lines 100 metres apart. With background gold of 2.5 parts per billion (ppb) over the sample grid, a large contiguous area on the western side of the grid carries greater than four parts per billion gold with accompanying elevated values of arsenic and antimony. This anomalous area is 2,000 metres long and from 100 metres to 750 metres wide. Within this broad area, a cluster of higher gold grades range from 14 ppb to 99 ppb with arsenic from 40 to 676 parts per million and antimony from one part per million to 6.9 ppm. Another cluster of samples located just outside of the elevated gold area carries gold values ranging from 140 ppb to 308 ppb. This anomaly is unique in that there are no elevated arsenic values. Each of these higher-grade clusters covers an area of 250 by 250 metres.

On the eastern side of the grid there is a group of more isolated pockets of elevated gold values also with accompanying arsenic and antimony. Elevated nickel values in soil also occur either with or in the proximity of the anomalous gold zones indicating underlying mafic or ultramafic rocks. Airborne and ground magnetic surveys also support the presence of these rocks on the Kodiak property as well as their existence about 15 kilometres north on the Underworld (Kinross) White gold property.

In addition to the gold anomalies found, the soil survey results are significant for the element associations, the pattern of their distribution and for revealing geologic similarities on the Kodiak property with the Kinross (formerly Underworld) White gold deposits located about 15 km north.

These include the following:

- Arsenic and antimony are common associated elements with gold mineralization.
- The anomalies form three northwest linear trends suggesting a structure control of mineralization on the Kodiak claims.
- On the Underworld's (Kinross) Arc gold deposit, gold is accompanied by arsenic. Underworld's (Kinross) Golden Saddle deposit contains no arsenic. The contrasting arsenic contents are also evident in the anomalies on the Kodiak grid.
- The Kodiak anomalies are at the end of a high magnetic trend that extends from the Underworld (Kinross) White property.
- The soil anomalies at Kodiak are on or between magnetic anomalies that are interpreted as mafic rocks. The elevated nickel values also support this. Similarly, the higher-grade gold mineralization at Underworld's (Kinross) Golden Saddle deposit sets next to ultramafic units with strong magnetic signatures.
- The potential for gold mineralization on the Kodiak block is further supported by historical placer gold production on Thistle Creek that bounds the north side of the claim block, and the anomalous silt (stream) sediment values on Kodiak from GSC surveys.

Thus far the positive geochemical results of the soil survey on the Kodiak property fit very well into the anticipated Kinross (formerly Underworld) White model for mineralization potential.

On February 28, 2012 the Company received an updated technical report on the Kodiak property

2010 Work Program

The 2010 Kodiak soil sample program included 2,037 samples for a total of 3,923 samples, covering approximately 60 per cent of the property. Results from the 2010 soil survey have extended the main 2009 northwest-trending soil anomaly (Main NW trend) to a strike length of four km and defined a second parallel 4 km long anomaly, with values up to 856.8 ppb gold (No. 2 Northwest trend), approximately 1 km to the southwest. Infill sampling on the Zipper trend in 2010 has outlined a gold anomalous zone at the junction of the northerly Zipper trend with the Main Northwest trend. A total of 383 m of trenching was completed in 3 trenches based on soil geochemical anomalies obtained in 2009.

2011 Work Program

The 2011 exploration consisted of an air magnetic fly-over survey. The survey further supported the belief that the Kodiak claim block ties onto the south side of the Kinross White Gold property.

### 2012 Work Program

The Company expects to further stake, trench and conduct initial core drilling on the Kodiak property in 2012, attempting to further support the tie to the Kinross White Gold property. The estimated budget is set at between \$50,000 and \$100,000 in 2012.

### **2) Dime Gold Property**

On July 23, 2009 the Company entered into an option agreement with Ryanwood Explorations Inc. to acquire a 100% interest in 152 claims referred to as the Dime Property.

On February 8, 2010 the Company announced results of 2009 exploration consisting of a 191-soil-sample program, collected on a grid covering about 37 hectares on the Dime property. The gold values in the survey reached as high as 6,082 parts per billion or six grams per tonne gold and defined an easterly trend.

The confirmation sampling program conducted in the fall of 2009 consisted of 191 soil samples (plus 10 duplicates) collected on a grid covering about 37 hectares. The confirmation grid is located over the central portion of the original Tech and Fjordland soil anomaly near the southwest boundary of the Dime claim block. The north-south sample lines are 100 metres apart and were sampled at 25-metre intervals. All samples underwent ICP-MS multielement analysis. The present grid includes only a small portion of the Dime claim block, most of which has yet to be evaluated. Earlier scattered recon soil sampling has revealed additional strong anomalies to the east and northeast of the current grid that have yet to be evaluated.

The soil sample results delineated a prominent east-west belt of very high gold values with most samples ranging from 25 parts per billion to 256 ppb across the 700-metre grid length. The width of this anomalous belt ranges from 100 to 150 metres. The belt widens at the west edge of the grid with a contiguous line of low anomalous gold values from 15 to 25 ppb extending to the north limit of the grid. The east and west ends, and parts of the north and southwest grid limits of the anomaly belt, remain open for further expansion of the anomaly. Additionally, south of the east-west anomaly another cluster of contiguous samples carrying a span of elevated gold values exceeding 15 ppb to 6,082 ppb, the highest value detected on the grid. This area is 300 metres wide and up to 300 metres long in the north-south direction. The west, east and south sides of this anomalous area are also open.

Arsenic values in the soil typically rise and fall with gold values indicating that they belong to the gold mineralization event in the underlying bedrock. In the long stretches of background (1 to 15 ppb) gold values along any sample line, arsenic values usually remain below 30 parts per million. However, in samples exceeding 15 ppb gold, the levels of arsenic quickly rise to hundreds of parts per million. These increased arsenic levels indicate that even lower values of gold from 15 to 25 ppb are related to mineralization and should be considered anomalous for exploration purposes. The highest arsenic value of 765 ppm occurs with the highest gold value of 6,082 ppb. Several other elements such as copper, zinc, lead antimony, molybdenum and cobalt have weaker positive correlations with gold.

The gold values in the survey range from one part per billion to 6,082 ppb, or six ppm. The percentages of the various ranges of gold values in the total sample population are as follows.

- Gold values of one to 15 ppb -- 41 per cent of the population, background values;
- Values of more than 15 to 25 ppb -- 24 per cent of the population, low anomalous values;
- Values of more than 25 to 50 ppb -- 18 per cent of the population, moderately anomalous;
- Values of more than 50 to 100 ppb -- 9 per cent of the population, good anomaly;
- Values of more than 100 ppb -- 3 per cent of the population, very good anomaly.

The soil collected on the grid is indigenous to the bedrock and is not from weathered, transported glacial till or outwash. Therefore, the gold in the soil is relatively close to its bedrock mineralization source. The east-west belt of gold appears to be largely independent of topographic influence and likely reflects a mineralized trend in the bedrock.

The geology of the Ten Mile Creek area, with its numerous gold anomalies and placer occurrences, comprises Jurassic or Cretaceous intrusive and volcanic rocks within Paleozoic metamorphic rocks. This lithologic series is known as the Tintina belt, that extends for hundreds of miles across the Yukon and Alaska, and contains numerous gold occurrences, including the Pogo deposit. Much of the gold mineralization appears to be directly or indirectly related to the presence of Mesozoic acid to intermediate intrusive-volcanic rocks. The Tintina belt is currently one of the most important gold exploration areas in North America, and the Dime claim block, with its promising gold anomalies, is part of it.

### 2010 Exploration

On August 4, 2010 the Company announced that it had staked an additional 180 claims at the Dime property, to the east, north and west of the existing 128 claims, bringing the total Dime claims to 308, and increasing the property size from 6,400 acres (25 square kilometers) to 15,400 acres (61 square kilometers).

The 2010 soil survey collected a total of 3,401 soil samples covering a total of 13.2 square kilometers, or (1,322 hectares) or 3,268 acres (5.1 square miles) which represent 21% of the property sample so far. Three new gold soil anomalies were discovered. The soil anomalies were named as geographic locations relative to each other hence the names are, West anomaly, Central anomaly, and East anomaly. The three gold soil anomalies appear to be structurally controlled with the West soil anomaly running in an east west direction (following a slight east west magnetic anomaly), the Central Anomaly is center on a north south magnetic low structure and the Eastern soil anomaly appears to be related to separate north south magnetic low structure. Follow-up trenching (1,125 m in nine trenches) confirmed the soil results from anomalies with better results.

Western anomaly: First reported by Teck Corp., measures approximately 1.3 km long by 750 metres wide, has a general east-west trend and includes values up to 578 parts per million arsenic and 6,092 parts per billion gold;

Central anomaly: 1.6 km long by 350 m wide area of anomalous gold (up to 147 ppb Au), arsenic (values up to 1,975 ppm As) and weaker lead in soil values (up to 49 ppm Pb). This anomaly is offset to the north from the western and eastern anomalies;

Eastern anomaly: This anomaly measures 1.8 km long by up to 900 m wide and consists of an Au (values up to 894 ppb Au), As (values up to 1,070 ppm As) and Pb (values up to 167 ppm Pb) geochemical signature.

Results from continuous five-metre chip samples on the western zone anomaly and a 30 m zone of silicified metasedimentary rocks in Trench 2 returned 0.168 gm/t Au between five and 35m. A five hole drilling program included 5 core drill holes totaling 657 metres from three separate drill pads. Two pads (2 holes each) were located on the western anomaly near the high soil sample, and one pad on the eastern anomaly. The program was successful in hitting mineralization in every hole, including 0.71 g/t over 32 m, and 4.15 g/t over 1.5m on holes 4 and 3 respectively.

### 2011 Exploration

During the 2011 season, the Company drilled an additional 14 core holes on the western and eastern anomalies (2,574 metres). Holes DDH-11-6 to 11-8 were collared to follow up on drill results from 2010.

Drilling on the western anomaly, DDH 11-06, DDH 11-07, and DDH 11-08 were drilled from the same drill pad as DDH 10-04 and DDH 10-05. DDH 11-06 returned encouraging values including over 12 metres of 0.90 g/t au, 1.45 metres of 8.32 g/t au, and 1.6 metres of 5.37 g/t au. Holes DDH-11-07 and DDH-11-08 confirmed the presence of a steeply south dipping east-west trending structure with strong silicification, brecciation and pyrite-arsenopyrite sulphide mineralization. DDH-11-07 was drilled at azimuth 020° and an angle of -50° dip. The hole was drilled to 150.26 m (493 ft) depth. DDH-11-08 was drilled at 020° azimuth and -78° dip. DDH 11-07 included a 10.65 metre interval of 1.07 g/t au.

Drilling on the Eastern anomaly consisted of 2,014 metres in 11 core holes drilled primarily based on trench anomalies. A complex cupola zone of granite-intruding and brecciating metasedimentary rocks underlies the Eastern anomaly. Core was strongly silicified, brecciated and hosted disseminated pyrite and arsenopyrite over significant widths.

Other work completed during the 2011 season included an airborne magnetometer and Radiometric survey over the entire

Dime and the Kodiak Property claim blocks. 854 additional auger soil samples were collected, mostly over the Western Anomaly as infill sampling. A 1500 meter trenching program was also completed on the Western Anomaly.

Trench samples consisted of a representative 5-meter continuous chip sample of bedrock and colluviums, weighing on average 6 lb per sample. This method has proven to be very effective in identifying areas for additional surface work or drilling in the South Klondike/White Gold District. Prior to receipt of the 5-meter trench sample results collected by Stina, independent Qualified Person Jean Pautler, P.Geo conducted independent grab samples from the same trenches and reproduced anomalous gold values within anomalies

The total field magnetic data from the airborne survey clearly shows two parallel, and very strong linear 7 km long NW-SE trending magnetic low anomalies that are both offset a distance of 1 km along a left lateral zone trending 070 degrees. Stina is still waiting to receive Uranium (U), Potassium (K), and Thorium (Th) maps from Precision. Total count radiometric has been provided, and that data also reflects the prominent NWSE structures obvious in the magnetic data. The significance of this structural trend NW-SE, along with second and third order structures E-W and NE-SW, are important in the South Klondike/white gold district. All major soil anomalies are located proximal to the 070 degrees offset of the NW-SE trending magnetic lows.

### 2012 Exploration

The Company plans additional soil sampling, trenching and core drilling for the Dime Property in 2012 which will be announced soon. Initial forecasts estimate a work program of between \$200,000 and \$300,000. It should also be noted that the entire work exploration commitment, with respect to the Ryanwood Exploration option agreement, for the Dime Property has already been surpassed.

On February 22, 2012 the Company received an updated technical report on the Dime property

### **3) Bisoni McKay Vanadium Property in Nevada**

In 2005 the Company entered into an option agreement with Vanadium International Corp. (VIC) for 50% of the Bisoni McKay property rights. The Company had previously issued 625,000 common shares of stock under an escrow agreement and had made cash payments of \$75,000 CAD to VIC.

Pursuant to the option exercise agreement, the company further agreed to purchase the remaining 50-per-cent interest in the property for a purchase price of \$2-million (U.S.). The company issued 1,995,600 shares at a deemed price of \$1 per share to Vanadium as payment of the \$2-million (U.S.) purchase price (based on a deemed exchange rate of \$1 (Canadian) to \$1.0022 (U.S.)). These shares are subject to a four-month hold period. These shares were recorded at \$0.80 per share, being their estimate fair value, based on a 20% discount from the quoted market price of \$1.00 per share at the time of issuance to factor in a large block discount.

Stina now has a 100 % interest in the Bisoni McKay property subject to a 2.5-%NSR interest in favor of Dennis La Prairie.

### Exploration Events During Prior Periods

In September 2005 the Company contracted Kettle Drilling of Coeur d'Alene, Idaho and drilled 1,024 feet of diamond core drilling on the Bisoni McKay property. Included was a fence of three holes on the north end of the property, immediately adjacent to Vanadium International's second reverse circulation hole drilled in 2004, as well as adjacent to 1970s Hecla RC holes BMK 17, 18 and 19 respectively, each of which showed strong grades of V2O5 at various intervals. Holes were drilled at angles of 45 degrees, 57.5 degrees and 66 degrees to the northwest.

A second fence of two diamond core holes was drilled on the southern end of the property adjacent to Vanadium International's first reverse circulation hole, and also to Hecla's RC holes BMK 6, 7 and 8 respectively. All four of these RC holes showed reasonable V2O5 grade at various intervals. This was the first diamond drilling ever conducted on the property.

Results of this diamond drilling showed very encouraging results from the northern fence, including grads much higher than from any other drilling on the property. The results from the southern fence of diamond drilling were less encouraging. The Company encountered technical difficulties in drilling these two holes and eventually had to abandon the second hole of this fence. The angle of the holes was reduced to 35 degrees from the planned 57.5 degrees to attempt to overcome these difficulties. As a result, the Company believes that it may have overshot the zone of mineralization encountered the year before by Vanadium International in its reverse circulation drilling.

In November 2005, the Company contracted O’Keefe Drilling of Butte, MT to drill 10 RC holes at 45 degree angles to the northwest at step out intervals of 210 feet from the two diamond drill fences; 3 holes to the north of the northern fence, 3 to the south of the northern fence, and three holes drilled to the north of the southern diamond drill fence. One RC hole was drilled vertically in Trench ASC50. Results from the three RC holes stepping out south of the northern diamond drill fence were released on November 29, 2005, and which were very encouraging to the Company.

In April 2006 the Company contracted Hazen research of Colorado for the metallurgical and leach testing of vanadium from core and reverse circulation drilling on the Bisoni McKay property in the fall of 2005. Hazen carried out mineralogical characterization to determine the mode of occurrence of vanadium, followed by two sets of tests on samples from three zones: oxidized zone (mudstone), transition zone (mudstone to carbonaceous shale) and unoxidized zone (carbonaceous shale).

The tests comprised of:

- (i) direct acid leaching with sulfuric acid, at two grinds and at two temperatures, for a total of 12 experiments; and
- (ii) roasting experiments, with at least four roasting conditions for samples from each zone, followed by appropriate leaching, either alkaline or acidic, i.e., a minimum of 12 roasting/leaching experiments.

The tests were designed to define the steps and conditions needed to obtain reasonable vanadium extraction and examine the reagent consumptions in leaching and roasting, and thus develop the first stages of a process flowsheet. The Company received final test results in January 2007, and a report on recovery of oxidized vanadium pentoxide using an acid pug/ leach recovery method, including some results as high as 95%. Test results on transition and carbonaceous material showed recovery as high as 70% and 75% of vanadium pentoxide using a roast/ leach recovery method. Hazen Research also recommended further metallurgical test work to continue the refinement of these processes, as well as explore other recovery options

In May 2007, the Company contracted O’Keefe Drilling of Boise, ID to conduct reverse circulation (RC) drilling on Northern Section “A” of the Bisoni McKay property. A total of 12 RC holes were drilled according to schedule, for a total of 5,130 feet. This drilling campaign was comprised of step-out holes at 100 foot intervals directly north for 700 feet along strike length from core hole fence DDH-05-1/2/3. Additionally, drilling was conducted parallel to the immediate west by 100 feet and north by 700 feet. The result of this campaign is a section approximately 700 feet long by 100 feet wide, with 100 foot intervals, immediately to the north of core hole fence DDH-05 and inclusive of RC holes BMK-05-04, BMK-05-05 and BMK-05-06 drilled by the Company in 2005.

The detailed drilling on the north half of Area A reveals a thick section of vanadiferous carbonaceous shale capped with mineralized weathered, oxidized shale. Vanadium-bearing rock begins essentially on or within a few feet of the surface and continues down-dip below 450 feet, the current depth limit of drilling into vanadium-bearing strata. From Area A-North, the vanadium trend continues south over 6,000 feet to Area B. The character of the mineralization in Area B appears similar to that drilled in Area A, but parts of the trend appear to have been narrowed and thinned by faulting, especially between Area A and Area B. Evidence that the vanadiferous trend continues south of Area B comes from two historic borings and trenching by Hecla Mining Company. The southernmost area of the projected strike of the vanadiferous trend in Area C and beyond is still unexplored.

In the fall of 2007 the Company contracted Edward Ullmer, P. Geo, to produce an updated geological technical report based on the report presented to Stina by JA Mine in 2005, and updated in 2006. The report also included a resource estimate on a subsection of Northern Section “A” which extends 700 feet long by 100 feet wide, directly north of BMK DDH – 2005, and with 100 foot interval RC drilling. The Company contracted Maptek Co. of Lakewood, CO to conduct the resource estimate.

In February 2008 the Company received a further updated geological technical report from Ed Ullmer, P. Geo, and included a

resources estimate, the first ever conducted on the Bisoni McKay property, and which was conducted by Maptek of Lakewood, CO. The report was amended in May 2012 and is available on the company website.

A map of the Bisoni McKay drill locations can be found on the Company website.

#### 2011 Exploration

In the spring of 2011 the Company contracted Lyntek Corp., of Lakewood, CO to conduct a Conceptual Study of the Bisoni McKay to better assess the potential economic viability of the property, the vanadium pentoxide and ferrovandium markets, and how the property fits into the world vanadium industry. On June 30, 2011, the Company announced that further metallurgical work was required to complete the Conceptual Study, and that it intended to do so. (see news release dated June 30, 2011)

#### 2012 Exploration

The Company expects to conduct further metallurgical testing, as per the interim recommendations of Lyntek's draft report, incorporating bulk sampling on material from the Northern Section of Section A of the Bisoni McKay Property. The Company is attempting to define the most economical and efficient recovery method for the extraction of vanadium pentoxide from oxidized and carbonaceous material, then complete the conceptual study by Lyntek in 2012. The budget for this project is estimated at between \$50,000 and \$150,000.

#### **4) Zeibright Property, California, USA**

See 1.2 (2) above.

On February 18, 2011 the Company decided not to proceed with the option and has written down staking/ claim costs of \$1,402.

#### **5) Searchlight Property, Nevada, USA**

On February 2, 2012, the Company signed a Memorandum of Understanding (MOU) with Royal Mines Inc. (RMI) to acquire a 70-per-cent interest in a mining lease claim, and a 40-per-cent interest in 20 claims surrounding the lease claim, located in southern Nevada. Under the proposed agreement Stina would earn a 70-per-cent interest in the Smith lease property in the Searchlight mining district of Nevada, as well as a 40-per-cent interest in Royal Mines' 100-per-cent interest in the 20 Piute claims, also in the Searchlight mining district in Nevada. To acquire interest of the claims package, Stina would agree to complete \$100,000 of exploration work on the properties within 12 months and a further \$900,000 within three years of the formal agreement with Royal Mines.

Currently Royal Mines is in the final process of securing the Piute claims and BLM permits, prior to signing a formal agreement with Stina.

#### **6) Capital Street Group Investments Lawsuit**

Capital Street Group Investment Services Inc. of North Vancouver, BC issued a Notice of Civil Claim against the Company (Stina) in the Supreme Court of British Columbia on October 6, 2011. Capital Street Group is claiming damages resulting from the Company's "anticipatory breach of an agreement" pursuant to which it was to receive a fee for introducing investors and brokers to the Company, and who wished to participate in a financing by the Company. The Company is vigorously defending the action, and filed a Response to the Civil Claim on November 3, 2011, claiming all charges, and the action to be frivolous and without merit. On May 7, 2012 Stina received a List of Documents from Capital Street Group. Stina is now pursuing a Securities for Cost Application against Capital Street Group Investments.

#### **7) Bisoni McKay Technical Report Amendment**

On March 14, 2012 the Company received from the BCSC, notice of a Technical Disclosure Review on its January 2008 NI 43-101 Technical Report on the Bisoni McKay Vanadium Property. The review outlined a failure to file an NI 43-101 compliant technical report, in particular non-compliant details regarding the mineral resources estimate presented by Maptak in 2008 and metal content references in the Bisoni McKay technical report. Additionally, the review outlined filing issues with respect to Company promotional material relating to the resource estimate, and in news releases dated April 5, 2010 and January 19, 2011.

On April 16, 2012 the Company issued a news release clarifying the non-compliant issues found in the technical report, and clarifying the resource estimate details, in particular cutoff grades of 0.3% and 0.2% were considered and (not 0.1% cutoff) that the resource measurements for these cutoff grades had not changed.

On May 16, 2012 the Company issued a news release stating that the Company had filed an amended NI 43-101 report, accepted by the BCSC. (*See Subsequent Events below*)

### **Recent News Releases**

May 16, 2012 – Stina Re-Submits Technical Report on Bisoni McKay Vanadium Property

April 2, 2012 – Stina Clarifies Disclosures Regarding Bisoni McKay Vanadium Property

February 28, 2012 – Stina Announces Results of 2011 Program and Compilation on Kodiak Property

February 22, 2012 – Stina Announces Receipt of Updated Technical Report on Dime Property

February 2, 2012 – Stina Signs MOU with Royal Mines for Searchlight, NV Gold Property

### **1.4 OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-Balance Sheet Arrangements

### **1.5 TRANSACTIONS WITH RELATED PARTIES**

The Company entered into the following transactions with and had balances due to and from related parties as at March 31, 2012 and for the period then ended as follows (with comparative figures as at March 31, 2011 and for the period then ended.)

The Company entered into the following transactions with related parties:

- a) The Company incurred consulting fees in the amount of \$33,000 (2011 - \$30,000) payable to a company owned by an officer for consulting services.
- b) The Company incurred salaries in the amount of \$35,226 (2011 – \$nil) with a senior officer/ director
- c) The Company incurred salaries in the amount of \$ 21,000 (2011 – \$19,500) with a director
- d) At March 31, 2012, prior advances totaling \$60,356 (2011 - \$60,483) were due to a company controlled by a director. The advances are unsecured, non-interest bearing, and have no specific terms of repayment.
- e) At March 31, 2012, advances totalling \$nil (September 30, 2011 - \$1,163) were due from a director. The advances are unsecured, non-interest bearing, and have no specific terms of repayment.

- f) At March 31, 2012, advances totalling \$nil (September 30, 2011 - \$840) were due from a senior officer and director. The advances are unsecured, non-interest bearing, and have no specific terms of repayment.

## 1.6 PROPOSED TRANSACTIONS/COMMITMENTS

The Company completed the qualifying expenditures of \$1,000,000 prior to December 31, 2010.

The Company has engaged in no other proposed transactions or commitments outside of what has been outlined in this report at this time.

## 1.7 CRITICAL ACCOUNTING ESTIMATES

### **Use of Estimates:**

The company's financial statements have been prepared in conformity with Canadian generally accepted accounting principles and form the basis for discussion and analysis of critical accounting policies and estimates. Management is required to make estimates and assumptions that affect the report amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant financial statement areas requiring the use of management estimates relate to the determination of impairment of assets and resource property interests, and their useful lives for amortization, allocations between exploration projects, the fair value of investments and share-based compensation, asset retirement obligations and the recoverability of future income tax assets. Financial results as determined by actual events could differ from those estimates.

### **Risk Management:**

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. Observed potential risks include those for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements. Company management acknowledges that there is no certainty that all environmental risks and contingencies have been addressed.

#### *Financial Risk Management:*

The Company is exposed in varying degrees to a variety of financial instrument related risks.

#### *Credit Risk:*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and accounts receivables. Cash accounts are held with a major bank in Canada. This risk is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

#### *Currency Risk:*

The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as some of its natural health food customers and suppliers and its resource property interest are located in the United States. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

#### *Interest Rate Risk:*



The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates. The income earned on certain bank accounts is subject to the movements in interest rates.

*Liquidity and Funding Risk:*

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements.

The Company is not utilizing any other financial instruments other than cash at this time.

Funding Risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable market terms and conditions.

Under current market conditions both liquidity and funding risks have been assessed as medium to high.

**Stock-based compensation:**

The Company follows the guidelines of the CICA Handbook Section 3870, relating to stock-based compensation and other stock-based Payments. The Company follows a fair-value method for all stock-based compensation and similar stock based awards to directors, employees and consultants. Where the Company has issued options that vest over a period of expected service, the fair value of the options at the date of grant is estimated and charged to income over the respective vesting periods.

**1.8 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

During the year ended September 30, 2009, the Company adopted the following relevant new accounting pronouncements:

Handbook section 3064 – Goodwill and Intangible assets

Handbook section 3031 – Inventories

Emerging issues committee – EIC-174 Mining Exploration Costs

The adoption of these new accounting policies did not have a material impact on the financial statements in the current year

Company Directors and Officers have discussed with a consultant the existing Company accounting policies, including the required policy changes which will take effect at the conclusion of the year ending September 30, 2011 and transition plans into International Financial Reporting Standards. These discussions are intended to assist management with a scoping analysis of the Company's transitional options and the development of a transition time-line that will allow management to meet their required filing deadlines. The first set of IFRS issued statements were for the first quarter ending December 31, 2011.

Recent accounting pronouncements, not yet adopted

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling Interests which replace CICA Handbook Sections 1581 Business Combinations and 1600 Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for companies' interim and

annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. Management expects that the adoption of these sections will not have a significant impact on the financial statements.

## 1.9 FINANCIAL AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, short term investments, accounts receivables, amounts due to and from related parties, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency risks arising from financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

### 1.10 OTHER MD&A REQUIREMENTS

Additional information relating to the Company's operations and activities can be found by visiting the Company's website [www.stinaresources.com](http://www.stinaresources.com) as well as numerous news releases and 43-101 reports filed on SEDAR at [www.sedar.com](http://www.sedar.com)

#### A. Authorized and Issued Share Capital as at March 31, 2012:

**Authorized:** Unlimited common shares without par value

**Issued and outstanding:** 26,037,499 common shares

*See Note 9 – Share Capital of the Financial Statements*

#### B. Options, Warrants & Convertible Securities Outstanding as at March 31, 2012:

##### Stock options

Under the Company's Incentive Share Option Plan, the Company may grant options to employees, consultants and directors when the number of shares reserved does not exceed 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares and the maximum term of the options will be 5 years.

*The following employee stock options are vested and exercisable:*

<u>Number of shares</u>	<u>Exercise price - \$ -</u>	<u>Expiry Date</u>
375,000	0.30	November 3, 2014
825,000	0.46	August 5, 2015
<u>250,000</u>	0.33	March 16, 2016
<u>1,450,000</u>		

\*300,000 options expired February 3, 2012

150,000 options non-vested expired March 3, 2012

##### Escrow shares

As of March 31, 2012 no shares were held in escrow

**Share purchase warrants****As of March 31, 2012 the following share purchase warrants were outstanding:**

<u>No. of warrants</u>	<u>Exercise price</u>	<u>Expiry Date</u>
200,000	\$0.73	September 24, 2012
1,561,672	\$0.85	September 28, 2012
<u>729,286</u>	\$0.85	October 19, 2012
<u>2,490,958</u>		

**C. Subsequent Events**

With respect to Technical Disclosure Review by the BCSC on March 14, 2012, the Company issued a news release on April 2, 2012 clarifying the non-compliant issues found in the technical report, and clarifying the resource estimate details, in particular cutoff grades of 0.3% and 0.2% were considered and (not 0.1% cutoff) that the resource measurements for these cutoff grades had not changed.

On May 16, 2012 the Company issued a news release stating that the Company had filed an amended NI 43-101 report, accepted by the BCSC. *(See Section 1.3-7 above)*

The amended technical report on the Bisoni McKay Vanadium Property is available on Sedar and on the Company's website.

**D. Evaluation of Disclosure Controls and Procedures**

Based on our evaluation for the quarter ended September 30, 2011, and up to the date of this Management Discussion and Analysis, we have concluded that our disclosure controls and procedures are sufficiently effective to provide reasonable assurance that material information required to be disclosed in the Company's interim and annual filings and other reports filed or submitted under Canadian securities laws are recorded, processed, summarized and reported within the time periods specified by those laws and that the material information is accumulated and communicated to Management of the Company, including the President, CEO, and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**E. Corporate Governance Disclosure**

The company has submitted to its members and shareholders details in the Information Circular dated May 21, 2011 Corporate Governance Disclosure guidelines that have been presented to the Board of Directors for periodic review. Some of these guidelines are: Outlining the Company's business and implementation of appropriate systems to manage any associated risks, communications with investors and the financial community and the integrity of the Company's internal control and management information systems. The Management of the Company periodically updates directors with regulatory policy changes. Management encourages and promotes a culture of ethical business conduct. The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

# STINA RESOURCES LTD.

## CORPORATE DATA

### **Head Office**

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Etobicoke, ON M9P 3S9  
Tel: (416) 368-2271 Fax: (416) 368-2635  
E-Mail: info@stinaresources.com  
Website: www.stinaresources.com

### **Directors and Officers**

James Corrigan – President/ Director  
Jim Wall, CEO, Secretary/ Director  
Al Doherty, VP Exploration/ Director  
Edward Gresko, VP Finance/ Director  
Sidney Mann, Treasurer /Director

### **Registrar and Transfer Agent**

Olympia Trust Company  
1003 – 750 West Pender Street  
Vancouver, BC V6C 2T8

### **Solicitors**

Fang & Associates  
3<sup>rd</sup> Floor, 576 Seymour Street  
Vancouver, B.C. V6B 3K1

### **Auditors**

Dale, Matheson, Carr-Hilton, LaBonte LLP,  
Chartered Accountants  
#1700 – 1140 W. Pender Street  
Vancouver, B.C. V6E 4G1

### **Listing**

TSX Venture Exchange  
Symbol: SQA