



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MAY 31, 2011**

**(Unaudited – Prepared by Management)**

Tres-Or Resources Ltd.  
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*Tres-Or trades on the TSX Venture Exchange under the symbol TRS*

**TRES-OR RESOURCES LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**UNAUDITED – PREPARED BY MANAGEMENT**  
**(Expressed in Canadian Dollars)**

	Note	May 31 2011 \$	February 28 2011 \$	March 1 2010 \$
<b>ASSETS</b>				
			Note 17	Note 17
<b>Current assets</b>				
Cash		715,836	1,237,256	9,364
Marketable securities	4	27,067	14,533	30,833
Receivables	5	136,891	118,747	12,656
Prepaid expenses		1,288	1,288	1,338
<b>Total current assets</b>		881,082	1,371,824	54,191
<b>Non-current assets</b>				
Advances on projects	6	-	-	709,554
Property, plant and equipment	7	109,218	110,535	116,846
Exploration and evaluation assets	8	4,758,046	4,509,191	3,340,176
<b>Total non-current assets</b>		4,867,264	4,619,726	4,166,576
<b>TOTAL ASSETS</b>		5,748,346	5,991,560	4,220,767
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		289,543	439,263	448,695
Accounts payable to related parties	10	60,118	102,654	210,812
<b>Total current liabilities</b>		349,661	541,917	659,507
<b>Non-current liabilities</b>				
Flow-through share premium liability	9	-	-	38,107
<b>TOTAL LIABILITIES</b>		349,661	541,917	697,614
<b>EQUITY</b>				
Share capital		15,840,267	15,796,100	12,385,747
Equity reserves		1,681,012	1,647,382	1,404,694
Accumulated other comprehensive loss		(131,220)	(130,004)	(113,704)
Deficit		(11,991,374)	(11,863,845)	(10,153,584)
<b>TOTAL EQUITY</b>		5,398,685	5,449,633	3,523,153
<b>TOTAL LIABILITIES AND EQUITY</b>		5,748,346	5,991,550	4,220,767

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 16)

**Approved and authorized by the Board on August 29, 2011:**

<u>“Gareth E. Mason”</u>	Director
<u>“Laura Lee Duffett”</u>	Director

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

**TRES-OR RESOURCES LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
**UNAUDITED – PREPARED BY MANAGEMENT**  
**(Expressed in Canadian Dollars)**

		Three Months Ended May 31	
	Note	2011	2010
		\$	\$
			Note 17
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Consulting fees		31,486	40,577
Depreciation		1,317	1,578
Management fees	10	13,500	13,500
New project development		-	300
Office and miscellaneous		5,738	8,583
Professional fees		27,322	27,860
Share-based payments	11	33,630	142,289
Telephone		1,593	1,325
Transfer agent and regulatory fees		4,786	1,881
Travel and promotion		9,405	14,629
<b>Loss before other item</b>		<b>(128,777)</b>	<b>(252,522)</b>
<b>OTHER ITEM</b>			
Interest income		1,248	6,849
<b>Loss for the period</b>		<b>(127,529)</b>	<b>(245,673)</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
Fair value losses on available-for-sale investments		(1,216)	(2,167)
<b>Total comprehensive loss for the period</b>		<b>(128,745)</b>	<b>(247,840)</b>
<b>Basic and diluted loss per common share</b>		<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding</b>		<b>90,729,634</b>	<b>70,663,718</b>

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

**TRES-OR RESOURCES LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**UNAUDITED – PREPARED BY MANAGEMENT**  
**(Expressed in Canadian Dollars)**

	Number of Shares	Share Capital	Equity Reserves	Accumulated Other Comprehensiv e Loss	Deficit	Total
		\$	\$	\$	\$	\$
<b>Balance – March 1, 2010</b>	66,805,419	12,385,747	1,404,694	(113,704 )	(10,153,584 )	3,523,153
Share-based payments	-	-	161,444	-	-	161,444
Private placements	6,277,776	898,335	101,666	-	-	1,000,001
Warrants exercised	1,325,000	98,000	-	-	-	98,000
Finders' fees	58,333	(39,258 )	14,583	-	-	(24,675 )
Share issue costs	-	(7,770 )	-	-	-	(7,770 )
Available-for-sale investments	-	-	-	(2,167 )	-	(2,167 )
Loss for the period	-	-	-	-	(245,673 )	(245,673 )
<b>Balance – May 31, 2010</b>	74,466,528	13,335,054	1,682,387	(115,871 )	(10,399,257 )	(4,502,313 )
Share-based payments	-	-	250,878	-	-	250,878
Private placements	3,666,666	588,888	(38,889 )	-	-	549,999
Warrants exercised	11,131,998	1,788,394	(220,260 )	-	-	1,568,134
Options exercised	220,000	53,517	(20,517 )	-	-	33,000
Exploration property payments	802,778	118,000	-	-	-	118,000
Finders' fees	-	38,675	(14,000 )	-	-	24,675
Share issue costs	-	(58,373 )	7,783	-	-	(50,590 )
Premium on flow-through shares	-	(68,055)	-	-	-	(68,055 )
Available-for-sale investments	-	-	-	(14,133 )	-	(14,133 )
Loss for the period	-	-	-	-	(1,464,588 )	(1,464,588 )
<b>Balance – February 28, 2011</b>	90,287,970	15,796,100	1,647,382	(130,004 )	(11,863,845 )	5,449,633
Share-based payments	-	-	33,630	-	-	33,630
Warrants exercised	441,664	44,167	-	-	-	44,167
Available-for-sale investments	-	-	-	(1,216 )	-	(1,216 )
Loss for the period	-	-	-	-	(127,529 )	(127,529 )
<b>Balance May 31, 2011</b>	90,729,634	15,840,267	1,681,012	(131,220 )	(11,991,374 )	5,398,685

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

**TRES-OR RESOURCES LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
 UNAUDITED – PREPARED BY MANAGEMENT  
 (Expressed in Canadian Dollars)

	Three Months Ended May 31	
	2011	2010
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(127,529)	(245,673)
Items not affecting cash		
Depreciation	1,317	1,578
Share-based payments	33,630	142,289
Accrued interest income	-	(6,615)
Changes in non-cash working capital items		
Receivables	(18,144)	(10,174)
Prepaid expenses	-	7
Accounts payable and accrued liabilities	28,181	(24,438)
Accounts payable to related parties	324	(46,211)
Net cash used in operating activities	(82,221)	(189,237)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share issuance	44,167	1,098,001
Share issue costs	-	(32,446)
Lease payments	-	(1,269)
Net cash provided by financing activities	44,167	1,064,286
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets expenditures	(509,866)	(289,159)
Recovery of exploration and evaluation assets expenditures	26,500	1,500
Net cash used in investing activities	(483,366)	(287,659)
<b>Increase (decrease) In cash</b>	<b>(521,420)</b>	<b>587,390</b>
Cash, beginning of period	1,237,256	9,364
<b>Cash, end of period</b>	<b>715,836</b>	<b>596,754</b>

**Supplemental disclosure with respect to cash flows** (Note 15).

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

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**TRES-OR RESOURCES LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED – PREPARED BY MANAGEMENT**  
**(Expressed in Canadian Dollars)**  
**Three month period ended May 31, 2011**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Tres-Or Resources Ltd. (the “Company”) was incorporated under the laws of the Province of British Columbia and is in the business of exploration and development of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

The Company’s head office and registered office address is Suite 910 – 475 Howe Street, Vancouver, BC, V6C 2B3, Canada.

The condensed consolidated interim financial statements of the Company are presented in Canadian dollars unless otherwise indicated, which is the functional currency.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing on reasonable terms and to commence profitable operations in the future. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. To the extent financing is not available, lease payments, work commitments, rental payments and option payments may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. Management is closely monitoring commodity prices of precious metals, individual entity movements and the stock market to determine the appropriate course of action to be taken by the Company. The financial statements do not include any adjustments to the recoverability and classification of reduced asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations.

	<b>May 31 2011</b>	<b>February 28 2011</b>	<b>March 1 2010</b>
	\$	\$	\$
Working capital (deficiency)	531,421	829,907	(605,316)
Deficit	(11,991,374)	(11,863,845)	(10,153,584)

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**TRES-OR RESOURCES LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
UNAUDITED – PREPARED BY MANAGEMENT  
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Three month period ended May 31, 2011

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**2. BASIS OF PREPARATION**

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They have also been applied in preparing an opening IFRS, as required IFRS 1, First Time Adoption of International Financial Reporting Standards. The impact of the transition from GAAP to IFRS is explained in Note 17.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Consolidation**

These consolidated financial statements include the accounts of the Company, which is incorporated under the laws of British Columbia, and its wholly owned subsidiary, Tres-Or Resources (Ghana) Ltd. which is incorporated in Ghana. All significant intercompany balances and transactions have been eliminated upon consolidation.

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Incorporation</b>	<b>Interest May 31, 2011</b>	<b>Interest February 28, 2011</b>	<b>Interest March 1, 2010</b>
Tres-Or Resources (Ghana) Ltd.	Participating interest in profit sharing agreement (Note 6)	Ghana	100%	100%	100%

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**3. SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

**Use of Estimates**

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These condensed consolidated interim financial statements include estimate which, by their nature, are uncertain. The impacts of such estimate are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, depreciation and impairment of property, plant and equipment, share-based payments and fair value of finders' warrants.

**Property, Plant and Equipment**

Property, plant and equipment is stated at cost, including betterment and renewals subsequent to acquisition, less accumulated depreciation. When property, plant and equipment is sold or abandoned, the recorded costs and related accumulated depreciation are removed from the accounts and any gains or losses are included in the determination of net earnings. Repairs and maintenance are recorded as an expense as incurred.

Depreciation is calculated on a declining balance method at the following rates per annum:

<b>Asset</b>	<b>Rate</b>
Building	4%
Computer equipment	30%
Furniture	20%
Field equipment	30%

The Company reviews the carrying value of property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset exceeds the estimate of undiscounted future cash flows from the asset. At that time, the carrying amount is written down to fair value.

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**3. SIGNIFICANT ACCOUNTING POLICIES** (*Cont'd*)

**Exploration and Evaluation Assets – Mineral Properties**

Pre-exploration costs are expensed in the period in which they are incurred.

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written-off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written-down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development, and future profitable production or proceeds from the disposition thereof.

**Provisions for Environmental Rehabilitation**

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

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

The Company has no known restoration, rehabilitation or environmental costs related to its mineral properties.

**Joint Ventures**

Some of the Company's exploration and development activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's interest in their joint venture exploration and development activities.

**Leased Assets**

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "financial lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the statement of comprehensive loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

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**3. SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

**Share-based Payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured as fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods and services rendered.

**Loss per Share**

The dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Basic earnings (loss) per common share is calculated using the weighted-average number of shares outstanding during the period.

**Warrants**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are assigned a value based on the residual value of the unit after deducting the fair value of the common shares. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

**Income Taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will be probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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**TRES-OR RESOURCES LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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Three month period ended May 31, 2011

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**3. SIGNIFICANT ACCOUNTING POLICIES** (*Cont'd*)

**Income Taxes** (*Cont'd*)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

**Flow-Through Common Shares**

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds.

The Company may also be subjected to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**Foreign Exchange**

Items included in the financial statements of the Company's subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiary is the Canadian dollar.

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

**Financial Instruments**

Financial instruments are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

*Financial assets at fair value through profit or loss ("FVTPL")*

A financial asset is classified at fair value through profit or loss if it classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designed as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

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**3. SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

**Financial Instruments** *(Cont'd)*

*Held-to-maturity ("HTM")*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

*Available for sale ("AFS")*

Non-derivative financial assets not included in the above categories are classified as available for sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable and accrued liabilities and accounts payable to related parties. The Company has designated its cash as fair value through profit or loss, which are measured at fair value. Marketable securities are classified as available-for-sale investments which are carried at fair value with changes in fair value recognized in equity. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and accounts payable to related parties are classified as other financial liabilities, which are measured at amortized cost.

Financial liabilities

*Fair value through profit or loss*

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities*

This category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company classified its financial liabilities which consisted of accounts payable and accrued liabilities and accounts payable to related parties as other liabilities.

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Three month period ended May 31, 2011

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**3. SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

**Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exemption of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit and loss.

With the exception of AFS marketable securities, it, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS marketable securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

**Comprehensive Income**

Comprehensive income is the change in the Company's shareholders' equity that results from transactions and other events from other than the company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings.

This standard requires the presentation of comprehensive income and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

**Comparative Figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

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**3. SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

**New standards not yet adopted**

In November 2009, the IASB published IFRS 9, "Financial Instruments," which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirement for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If the option is elected, entities would be recognized financial liabilities at fair value through earning. If the option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognized the change in other comprehensive income. IFRS 9 is effective for the Company on March 1, 2013. An early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact on the Company upon implementation of the issued standard.

**4. MARKETABLE SECURITIES**

Marketable securities are recorded at fair market value as they are classified as available-for-sale financial instruments.

Marketable securities are comprised of the following:

	May 31, 2011			February 28, 2011			March 1, 2010		
	Common shares	Market value	Cost	Common shares	Market value	Cost	Common shares	Market value	Cost
		\$	\$		\$	\$		\$	\$
Arctic Star Diamond Corp.	333,333	6,667	50,000	333,333	6,667	50,000	333,333	23,333	50,000
Logan Copper Ltd.	15,000	900	94,537	15,000	900	94,537	150,000	75,000	94,537
Pershimco Resources Inc.	25,000	19,500	13,750	-	-	-	-	-	-
		27,067	158,287		14,533	144,537		30,833	144,537

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**5. RECEIVABLES**

The Company's receivables arise from two main sources: harmonized sales tax ("HST") receivable due from the Canadian taxation authorities and Quebec sales tax ("QST") due from the Quebec taxation authorities.

	<b>May 31, 2011</b>	<b>February 28, 2011</b>	<b>March 1 2010</b>
	\$	\$	\$
HST receivable	84,397	67,575	12,656
QST receivable	52,494	51,172	-
	<u>136,891</u>	<u>118,747</u>	<u>12,656</u>

**6. ADVANCES ON PROJECTS**

The Company, through its wholly owned subsidiary, entered into a profit sharing agreement with Warwick Mineral Resources Ltd. ("Warwick"), a private Ghanaian company whereby the two parties will collaborate in providing mining and related services to gold mining projects located in Ghana and will share in the net profits on a 50/50 basis. After the profit sharing agreement was signed, a director of Warwick was appointed as a director and officer of the Company's wholly-owned subsidiary.

While the agreement contemplates the parties providing services to a number of projects, initial efforts will be with a group of concessions held by a local syndicate of companies located in central Ghana. As consideration for providing turnkey mining and project administrative services on the project, the parties will collectively be entitled to 85% of the proceeds from the sale of any gold mined, to be split 50/50 between the parties. Under the terms of the agreement, the Company funded the mining costs needed to place the project into production.

As at February 28, 2011, the Company funded a total of \$664,405 with respect to this agreement and received a repayment of \$20,500. The advances of \$643,905 were converted by Warwick to promissory notes bearing interest at 12% per annum. These promissory notes are not secured and are repayable on demand. As at February 28, 2011, the amount due from Warwick is \$794,700, which consists of advances of \$643,905 and accrued interest of \$150,795.

At February 28, 2011, the Company provided a valuation allowance for the recovery of the advances and accrued interest for a total of \$794,700. The Company will not further accrue interest income starting March 1, 2011. The Company will continue to pursue collection of the promissory notes.

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**7. PROPERTY, PLANT AND EQUIPMENT**

Cost	Building	Computer equipment	Field equipment	Furniture	Land	Total
	\$	\$	\$	\$	\$	\$
Balance March 1, 2010	96,291	14,376	17,573	3,792	23,462	155,494
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance February 28, 2011	96,291	14,376	17,573	3,792	23,462	155,494
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance May 31, 2011	96,291	14,376	17,573	3,792	23,462	155,494
<b>Accumulated depreciation</b>						
Balance March 1, 2010	15,275	11,885	9,475	2,013	-	38,648
Additions	3,241	1,094	1,620	356	-	6,321
Disposals	-	-	-	-	-	-
Balance February 28, 2011	18,516	12,979	11,095	2,369	-	44,959
Additions	778	144	324	71	-	1,317
Disposals	-	-	-	-	-	-
Balance May 31, 2011	19,294	13,123	11,419	2,440	-	46,276
<b>Carrying amounts</b>						
March 1, 2010	81,016	2,491	8,098	1,779	23,462	116,846
February 28, 2011	77,775	1,397	6,478	1,423	23,462	110,535
May 31, 2011	76,997	1,253	6,154	1,352	23,462	109,218

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**8. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTY INTERESTS**

	Quebec Gold Projects, Quebec	Duvay Gold Projects, Quebec	Notre Dame du Nord, Quebec	Mann Project, Ontario	Temagami Diamond North, Ontario	Total
	\$	\$	\$	\$	\$	\$
<b>Balance – March 1, 2010</b>	60,852	-	1,636,784	166,761	1,475,779	3,340,176
Expenditures						
Acquisition costs	84,604	256,000	-	-	-	340,604
Assays, staking, mapping	41,485	89,589	-	-	-	131,074
Drilling	24,055	394,552	(21,940)	-	-	396,667
Geological and geophysical	235,431	116,346	5,688	808	4,214	362,487
Office, miscellaneous and travel	54,182	42,476	11,352	-	4,163	112,173
Share-based payments	80,108	-	36,352	-	-	122,467
	519,865	898,963	31,452	808	8,377	1,465,472
Cost recoveries	-	-	(3,000)	-	(3,000)	(6,000)
Write-off of mineral properties	-	-	-	(12,000)	(272,450)	(284,450)
	519,865	898,963	28,452	(11,192)	(267,073)	1,175,022
<b>Balance, February 28, 2011</b>	580,717	898,963	1,665,236	155,569	1,208,706	4,509,191
Expenditures						
Acquisition costs	-	174,000	-	-	-	174,000
Assays, staking, mapping	2,660	4,721	312	-	-	7,693
Drilling	-	16,019	-	-	-	16,019
Geological and geophysical	16,670	41,900	-	800	1,150	60,520
Office, miscellaneous and travel	(631)	29,647	-	-	1,857	30,873
Share-based payments	-	-	-	-	-	-
	18,699	266,287	312	800	3,007	289,105
Cost recoveries	(38,750)	-	-	-	(1,500)	(40,250)
Write-off of mineral properties	-	-	-	-	-	-
	(20,051)	266,287	312	800	1,507	248,855
<b>Balance, May 31, 2011</b>	560,666	1,165,250	1,665,548	156,369	1,210,213	4,758,046

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

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**8. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTY INTERESTS** *(Cont'd)*

**a) Quebec Gold Projects, Quebec, Canada**

The Company has an option to acquire up to a 76% interest in several groups of project claims in Quebec. The Company paid \$40,000 and reimbursed the optionor for work performed on the properties in 2009 and expended \$200,000 in exploration work. The Company issued 277,778 common shares with a value of \$50,000 to complete a 51% earn-in. The Company can then elect to acquire a further 25% interest for a total of 76% by paying \$20,000 and completing further exploration expenditures of \$100,000 within 12 months of such election. On completion of these terms a joint venture agreement shall be entered into with the optionor.

During the period ended May 31, 2011, the Company elected to complete the 76% earn-in by making the \$20,000 payment and completing the exploration expenditure requirement. In addition, the Company entered into an agreement with the optionor to purchase the remaining 24% interest in the Quebec Gold projects in conjunction with the Duvay Nord and East Mac Sud claims outlined in note 8(b) below.

On December 20, 2010 the Company purchased the Destor claim block for an \$11,088 cash payment and issued 75,000 shares with a value of \$12,000 for a 100% interest subject to a 2.0% NSR. The Company can purchase 1.0% of the NSR for \$1,000,000.

On March 16, 2011 the Company entered into an option agreement with Pershimco Resources Inc. ("Pershimco") whereby Pershimco could earn up to a 100% interest in several project claims in the Pascalis area of the Quebec Gold project, subject to a 2.0% NSR. These claims were packaged together by the original optionor and the Company, accordingly the proceeds will be allocated to the Company and the original optionor on a 50/50 basis. Pershimco can buy-back a 1.0% NSR for \$1,000,000 and retains the first right to buy back the remaining 1.0% NSR. In order to complete the earn-in over a 3 year period, Pershimco agreed to pay \$50,000 cash on signing and issue 50,000 shares of Pershimco (the Company received its portion in the amount of \$25,000 cash and 25,000 common shares on May 11, 2011). Pershimco has also committed to spend 500,000 in exploration work over the next 24 month period. In addition, 12 months after signing the agreement, Pershimco agreed to pay \$50,000 cash and issue 50,000 common shares and in 24 months, \$100,000 cash and issue 100,000 common shares of Pershimco. Pershimco can spend a further \$500,000 in exploration work in order to complete the 100% earn-in subject to a 2.0% NSR.

**b) Duvay Gold Project, Quebec, Canada**

On May 23, 2010, the Company signed an option agreement to earn up to a 100% interest in the Duvay Gold Project in Quebec. The property consists of 4 claims in Duvernoy Township. The property is subject to a Gross Metals Royalty (GMR) of 1.5% (where gold is US\$800 per ounce or less) and 2% (where gold is greater than US\$800 per ounce).

The Company paid an initial non-refundable cash payment of \$10,000 to the optionor and was granted the sole exclusive right and option to earn an undivided 40% interest in the property by paying the sum of \$115,000 cash (paid) and issuing 250,000 shares (issued with a value of \$20,000) and by incurring expenditures on the property totaling \$275,000 on or before September 30, 2010 (completed). The Company can acquire a further 10% interest for a total of 50% undivided interest by (a) issuing a total of 500,000 shares (200,000 by December 31, 2010 (issued with a value of \$36,000) and the remaining 300,000 by June 30, 2011 (subsequently issued)); (b) incurring exploration work expenditures of \$1,000,000 (\$500,000 of such expenditures to be incurred on or before December 31, 2010 and the balance by June 30, 2011) and (c) making a payment for the sum of \$225,000 on or before June 30, 2011. If the Company does not fulfill any of the conditions to earn the additional 10% in the property, the Company is deemed to have forfeited the 40% interest it has earned.

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**8. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTY INTERESTS** *(Cont'd)*

**b) Duvay Gold Project, Quebec, Canada** *(Cont'd...)*

On June 21, 2011, the Company entered into an amended agreement regarding the earn-in of the additional 10% interest in the property. The Company can complete the 50% earn-in by a) incurring exploration expenditures of \$1,000,000 by December 31, 2011, and b) issuing 500,000 common shares (200,000 issued in December 2010 and 300,000 shares issued on June 21, 2011 (subsequently issued), and c) making property payments for the sum of \$300,000 by September 30, 2011 (\$25,000 by June 30, 2011 (paid); \$25,000 by July 31, 2011 (paid); \$25,000 by August 31, 2011 and \$225,000 by September 30, 2011.

Having acquired the 50% interest, the Company has the option to earn a further 15% interest by completing a technical report on the property and issuing 500,000 shares within 24 months of the signing of the Option Agreement.

The Company can earn a further 15% interest for a total 80% interest by incurring \$4,000,000 in exploration expenditures. The Company has the right to acquire the remaining 20% interest by effecting a merger, amalgamation or other form of business combination with the optionor, or the Company can purchase any or all of the 20% interest by paying the sum of \$1,000,000 for each 1% interest in the property to be purchased.

On September 17, 2010 the Company concluded an agreement to acquire 76% interest in the Duvay Nord property for a cash payment of \$25,000 (paid) and a work commitment of \$50,000 in the first two years, followed by another \$25,000 in work in the third year.

On November 24, 2010 the Company concluded an agreement to acquire a 76% interest in the East Mac Sud property for a cash payment of \$50,000 (paid) and a work commitment of \$50,000 in the first two years, followed by another \$25,000 of work in the third year.

On March 22, 2011, the Company entered into an agreement with the optionor to purchase the remaining 24% interest in the Quebec Gold projects, Duvay Nord and East Mac Sud properties for a total cash payment of \$100,000 (paid). The optionor retains a 2.0% NSR and the Company has the right to purchase 1.0% of the NSR for \$1,000,000 and retains the first right of refusal to purchase the remaining 1.0% NSR from the optionor.

During the period ended May 31, 2011, the Company completed agreements to purchase additional Duvay Gold Project claims for cash payments totaling \$125,000. The payments of \$125,000 are scheduled to be paid in increments to January 15, 2012 (\$50,000 paid during the period) and 4 of these claims are subject to a 2.0% GMR.

**c) Notre Dame du Nord, Quebec, Canada**

The Company owns a 100% interest in certain mineral claims in the Notre Dame du Nord area of Quebec. In order to earn this interest the Company paid \$133,920, completed \$171,200 of exploration expenditures and issued 280,000 common shares with a value of \$70,000. The vendors retain a 2.0% NSR. The Company may purchase 1.0% of the NSR for \$1,000,000 at any time prior to commercial production of any mineral discovered on the claims and also retains the First Right of Refusal to buy back the remaining 1.0% NSR. In addition, the Company agreed to deliver 100,000 common shares one day prior to commencement of commercial production subject to regulatory approval.

Certain claims in the Notre Dame du Nord property lapsed and all costs related to these claims were written off to operations for a total write-down of \$244,398 as of February 28, 2010.

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**8. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTY INTERESTS** *(Cont'd)*

**d) Mann Project, Porcupine, Canada**

The Company has an option to acquire up to a 100% interest in the Mann Platinum/Palladium project, Porcupine Mining Division, Ontario. The option agreement consists of 19 mineral claims in which the Company has paid cash of \$20,000 and issued 50,000 common shares with a value of \$7,500 and will issue a further 100,000 common shares in allotments of 50,000 common shares each, subject to filing an acceptable geological report on exploration work done on the properties.

The optionor will retain a 3% NSR royalty of which the Company can purchase 1% for \$1,000,000 at any time prior to the commencement of commercial production. In addition, the Company will issue 100,000 common shares to the optionor one day prior to the commencement of commercial production subject to further regulatory approval.

Certain of the Company's staked claims adjoining the Mann project option lapsed and all costs related to these claims were written off to operations for a total write-down of \$12,000 as of February 28, 2011.

**e) Temagami Diamond, North, Canada**

On May 5, 2005, the Company entered into a letter of intent with Arctic Star, which was amended on December 2, 2005, whereby Arctic Star could earn a 40% interest in certain mineral claims located in the Company's Temagami Diamond North property. In order to earn an interest Arctic Star paid \$186,000 to the Company and \$866,325 for exploration work completed on the mineral claims and issued to the Company 333,333 of its common shares with a value of \$50,000. On May 31, 2006, the Company and Arctic Star agreed to a Joint Venture Agreement whereby the Company holds a 60% and Arctic Star holds a 40% participating interest. If either of the participants decides not to contribute to an approved program and budget, then that participant's interest is diluted accordingly. If at any time one of the participant's interest is less than 10%, then that participant's interest is converted to a 5% Net Profits Interest (NPI) of the joint venture. Certain claims forming the Arctic Star joint venture lapsed during the year ended February 28, 2011, and accordingly, the Company wrote off related costs of \$272,450 to operations.

In March 2008, the Company and Arctic Star executed an amendment to the December 2005 Joint Venture Agreement. Arctic Star agreed to transfer its interest in the Lapointe Kimberlite property to the Company in order to maintain an undiluted 40% interest in the joint venture properties outside of Lapointe. The Company assumed the full cost of the exploration carried out at Lapointe and has acquired a 100% interest in the Lapointe Pipe subject to a 5.0% NPI granted to Arctic Star.

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**9. FLOW-THROUGH SHARE PREMIUM LIABILITY**

	Flow-through share premium liability
	\$
Balance at March 1, 2010	38,107
Liability incurred on flow-through shares issued	68,055
Settlement of flow-through share liability	<u>(106,162)</u>
Balance February 28, 2011	-
Liability incurred on flow-through shares issued	<u>-</u>
<u>Balance May 31, 2011</u>	<u>-</u>

On December 30, 2009, the Company completed a private placement consisting of the issue and sale of 1,066,666 flow-through units at a price of \$0.12 per flow-through unit for gross proceeds of \$128,000. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant. The premium received on the shares issued was determined to be \$20,583 and has been recorded as a share capital reduction. An equivalent premium liability was recorded and reduced when the required exploration expenditures were renounced to shareholders.

On January 28, 2010, the Company completed a private placement consisting of the issue and sale of 500,667 flow-through units at a price of \$0.12 per flow-through unit for gross proceeds of \$60,080. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant. The premium received on the shares issued was determined to be \$17,523 and has been recorded as a share capital reduction. An equivalent premium liability was recorded and reduced when the required exploration expenditures were renounced to shareholders.

On April 21, 2010, the Company completed a private placement consisting of the issue and sale of 1,944,442 flow-through units at a price of \$0.18 per flow-through unit for gross proceeds of \$350,000. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant. The premium received on the shares issued was determined to be \$68,055 and has been recorded as a share capital reduction. An equivalent premium liability was recorded and reduced when the required exploration expenditures were renounced to shareholders.

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**10. RELATED PARTY TRANSACTIONS**

Accounts payable to related parties of \$60,118 (February 28, 2011 - \$102,654; March 1, 2010 - \$210,812) consisted of amounts due to a director, a private company controlled by a director and to law firms in which a director and the Company's corporate secretary are partners.

During the three month period ended May 31, 2011, the Company entered into the following transactions with related parties:

- (a) Paid or accrued \$26,070 (2010 - \$Nil) to a company controlled by a director for geological services which have been capitalized to deferred exploration costs and paid or accrued \$13,500 (2010 - \$13,500) to this company for management services.
- (b) Paid or accrued \$4,135 (2010 - \$Nil) in professional fees to a law firm in which a director is a partner.
- (c) Paid \$2,550 (2010 - \$2,550) as automobile allowance (included in travel and promotion) to a company controlled by a director
- (d) Issued Nil (2010 - 1,425,000) stock options to directors, officers, and key management personnel with a fair value of \$Nil (2010 - \$116,137)

These transactions were in the normal course of operations.

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**11. CAPITAL STOCK AND EQUITY RESERVES**

The authorized share capital of the Company consists of an unlimited number of common shares without par value and unlimited Class A preferred shares without par value.

During the period ended May 31, 2011:

- (a) The Company issued 4,441,664 common shares for gross proceeds of \$444,167 from exercise of warrants. Accordingly, \$nil was transferred from contribute surplus to equity reserves.

During the year ended February 28, 2011:

- (a) The Company issued 4,333,334 units at a price of \$0.15 per unit, for gross proceeds of \$650,000. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.22 within 18 months.
- (b) The Company issued 1,944,442 flow-through units at a price of \$0.18 per unit, for gross proceeds of \$350,000. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share at a price of \$0.27 within 18 months. In connection with this offering finders' fees of \$21,000 cash, 58,333 units (issued with a value of \$10,500) and 136,111 compensation warrants were paid by the Company.

Each compensation warrant entitles the holder to purchase one unit at a price of \$0.18 per unit for a period of 18 months. Each unit has the same terms and conditions as the flow-through units. A value of \$7,783 was assigned to these compensation warrants using the Black-Scholes option pricing model with the following assumptions: dividend yield – 0%; volatility – 96.59%; risk-free interest rate – 1.98% and an expected life of 18 months.

- (c) The Company issued 3,666,666 units at a price of \$0.15 per unit, for gross proceeds of \$550,000. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.18 within 12 months
- (d) The Company issued 12,456,998 common shares for gross proceeds of \$1,666,134 from exercise of warrants. Accordingly, \$220,260 was transferred from contributed surplus to capital stock.
- (e) The Company issued 220,000 common shares for gross proceeds of \$33,000 from exercise of options. Accordingly, \$20,517 was transferred from contributed surplus to capital stock.
- (f) The Company issued 802,778 common shares, with a value of \$118,000, pursuant to various mineral property agreements.

Of the total consideration received from the private placements, \$1,487,223 was allocated to capital stock and \$62,777 was allocated to equity reserves as fair value for the warrants under the residual method.

The Company paid or accrued \$37,360 for other share issue costs in connection with the private placements.

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**11. CAPITAL STOCK AND EQUITY RESERVES (Cont'd)**

**Stock options**

The Company has adopted a formal stock option plan which follows the TSX Venture Exchange (“TSX-V”) policy under which it is authorized to grant options to directors and employees to acquire up to 10% of issued and outstanding common stock. Under the plan, the exercise price of each option shall be fixed by the board of directors but shall be not less than the minimum price permitted by the TSX-V. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

	Number of options	Weighted average exercise price \$
Balance March, 1, 2010	5,010,000	0.13
Granted	4,400,000	0.15
Cancelled	(220,000)	0.15
Exercised	(825,000)	0.12
Balance February 28, 2011	8,365,000	0.14
Granted	400,000	0.12
Cancelled	(350,000)	0.16
Exercised	-	-
Balance May 31, 2011	8,415,000	0.13
Exercisable at May 31, 2011	8,227,500	0.13

The weighted average contract life remaining on the above stock options is 2.13 years. The weighted average grant date fair value of options granted during the period ended May 31, 2011, was \$0.07 per option (year ended February 28, 2011 - \$0.09 per option).

As at May 31, 2011, the following incentive stock options are outstanding:

Number of Options	Exercise Price \$	Expiry Date	
1,590,000	0.15	August 30, 2011	
800,000	0.10	August 30, 2011	
200,000	0.15	June 11, 2011	(subsequently expired)
1,900,000	0.10	September 17, 2013	
2,000,000	0.15	April 22, 2014	
1,525,000	0.16	January 21, 2015	
400,000	0.12	May 19, 2015	
8,415,000			

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**11. CAPITAL STOCK AND EQUITY RESERVES (Cont'd)**

**Share-based payments**

Total share-based payments recognized under the fair value method was \$33,630 (2010 - \$197,637) using the Black-Scholes option pricing model. Total expenses arising from share-based payment transactions recognized during the period ended May 31, 2011 were \$33,630 (2010 - \$153,452). The following assumptions were used in the Black-Scholes option-pricing model calculation of the fair value of stock options granted during the period:

	Period ended May 31, 2011	Period ended May 31, 2010
Risk-free interest rate	2.26%	2.55%
Expected life of options	4 years	4 years
Annualized volatility	84.65%	79.83%
Dividend rate	-	-

**Warrants**

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

	Number of warrants	Weighted average exercise price \$
Balance March, 1 2010	17,460,630	0.14
Granted	8,169,443	0.22
Exercised	(12,456,998)	0.13
Expired	(1,363,636)	0.22
Balance February 28, 2011	11,809,439	0.21
Granted	-	-
Exercised	(441,664)	0.10
Expired	-	-
Balance May 31, 2011	11,367,775	0.22

At May 31, 2011 the following warrants were outstanding:

Number of Warrants	Exercise Price \$	Expiry Date	
2,690,000	0.20	July 29, 2011	(subsequently expired)
250,000	0.20	August 17, 2011	(subsequently expired)
49,999	0.20	December 31, 2011	
208,333	0.20	January 28, 2012	
4,333,334	0.22	October 21, 2011	
2,002,775	0.27	October 23, 2011	
1,833,334	0.18	December 16, 2011	
11,367,775			

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**12. MANAGEMENT OF CAPITAL**

The Company's capital structure consists of items in shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placement or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

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**13. FINANCIAL INSTRUMENTS**

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, and interest rate risks. Where material, these risks are reviewed and monitored by the Board of Directors.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada has experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

**Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, marketable securities, receivables and advances on projects. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company is exposed to credit risk with respect to the advances on projects. Repayment on these advances is dependent on the success of the operations of the Ghana projects which are controlled by Warwick.

The majority of the Company's cash are held with major Canadian based financial institutions.

Receivables mainly consist of sales tax refunds due from the federal and provincial governments of Canada.

**Currency risk**

The Company operates in Canada and Ghana and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company has cash, advances on projects and accounts payable and accrued liabilities held in Ghanaian New Cedi and therefore are subject to fluctuations against the Canadian dollar.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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**13. FINANCIAL INSTRUMENTS** *(Cont'd)*

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash is generally not exposed to interest rate risk because of their short-term maturity. Advances on projects bear a fixed interest rate of 12% per annum and is therefore not exposed to interest rate risk.

**Price Risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's marketable securities are classified as available-for-sale and trade on the stock market. The Company closely monitors its marketable securities, stock market movements and commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

**Financial Assets**

The estimated fair value of financial assets is equal to their carrying values. The fair value of cash and marketable securities are based on level 1 inputs of the fair value hierarchy. The Company's financial assets were held in the following currencies:

**Stated in Canadian Dollars**

**May 31, 2011**

Carrying Value	Canadian Dollar	US Dollar	Ghanaian New Cedi	Total
Cash	715,801	30	-	715,836
Marketable securities	27,067	-	-	27,067

**February 28, 2011**

Carrying Value	Canadian Dollar	US Dollar	Ghanaian New Cedi	Total
Cash	1,237,209	47	-	1,232,256
Marketable securities	14,533	-	-	14,533

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**13. FINANCIAL INSTRUMENTS** (Cont'd)

**Financial Assets** (Cont'd)

**Stated in Canadian Dollars**

**March 1, 2010**

Carrying Value	Canadian Dollar	US Dollar	Ghanaian New Cedi	Total
Cash	9,156	31	177	9,364
Marketable securities	30,833	-	-	30,833
Advances on projects	-	-	709,554	709,554

**Financial Liabilities**

The estimated fair value of financial liabilities is equal to their carrying values due to the short term nature of these instruments. The Company's financial liabilities were held in the following currencies:

**Stated in Canadian Dollars**

**May 31, 2011**

Carrying Value	Canadian Dollar	US Dollar	Ghanaian New Cedi	Total
Accounts payable and accrued liabilities	275,996	-	13,547	289,543
Accounts payable to related parties	60,118	-	-	60,118

**February 28, 2011**

Carrying Value	Canadian Dollar	US Dollar	Ghanaian New Cedi	Total
Accounts payable and accrued liabilities	425,716	-	13,547	439,263
Accounts payable to related parties	102,654	-	-	102,654

**March 1, 2010**

Carrying Value	Canadian Dollar	US Dollar	Ghanaian New Cedi	Total
Accounts payable and accrued liabilities	441,669	-	7,026	448,695
Accounts payable to related parties	210,812	-	-	210,812

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**14. SEGMENTED INFORMATION**

The Company primarily operates in one reportable operating segment, being the acquisition and development of mineral properties in Canada.

**15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions of the Company for the period ended May 31, 2011, were as follows:

- (a) Included in mineral property costs is \$21,474 which relates to accounts payable and accrued liabilities.
- (b) Included in mineral property costs is \$5,500 which relates to accounts payable to related parties.
- (c) The Company received 25,000 shares of Pershimco Resources Inc. with a value of \$13,750 in connection with a Quebec Gold Projects option agreement.

Significant non-cash transactions of the Company for the period ended May 31, 2010, were as follows:

- (a) Included in mineral property costs is \$6,983 which relates to accounts payable and accrued liabilities.
- (b) Included in mineral property costs is \$20,895 which relates to share-based payments.

**16. SUBSEQUENT EVENTS**

- (a) The Company entered into various mineral property agreements as outlined in Note 8 relating to the Duvay Gold Project, Quebec.
- (b) The Company entered into a Letter of Intent to acquire the interests in certain mineral claims in Quebec of Globex Mining Enterprises Inc., ("Globex") being a 75% interest in 16 claims and a 100% interest in 6 claims, collectively the Fontana Gold Property. The Company made a non-refundable deposit of \$25,000 and will endeavor to enter into a definitive agreement with Globex on or before September 15, 2011.

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**17. EXPLANATION OF TRANSITION TO IFRS**

As stated in Note 2, these financial statements are the Company's first interim condensed consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied in preparing the condensed consolidated interim financial statements for the three months ended May 31, 2011 and 2010, the financial statements for the year ended February 28, 2011 and the opening IFRS statement of financial position on the Transition Date, March 1, 2010.

Under IFRS 1 First-time Adoption of International Financial Reporting Standards, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings unless certain exemption are applied. The IFRS provides for certain optional exemptions and certain mandatory exemptions for first time IFRS adopters.

(a) Optional exemptions

*Share-based payments*

IFRS 1 permits the application of IFRS 2, Share-based Payments, only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company has elected to apply this exemption and will apply IFRS 2 only to equity instruments that had not vested by March 1, 2010.

*Business Combinations*

The Company has elected not to retrospectively apply IFRS 3 Business Combinations to any business combination that may have occurred prior to its Transition Date and such business combinations have not been restated.

(b) Mandatory exceptions

Reconciliation of Canadian GAAP and comprehensive loss to IFRS

IFRS requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods. The changes made to the statements of financial positions and statements of comprehensive loss as shown in the tables below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

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17. EXPLANATION OF TRANSITION TO IFRS (Cont'd)

The March 1, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		\$	\$	\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash		9,364	-	9,364
Marketable securities		30,833	-	30,833
Receivables		12,656	-	12,656
Prepaid expenses		1,338	-	1,338
<b>Total current assets</b>		<b>54,191</b>	<b>-</b>	<b>54,191</b>
<b>Non-current assets</b>				
Advances on projects		709,554	-	709,554
Property, plant and equipment		116,846	-	116,846
Exploration and evaluation assets		3,340,176	-	3,340,176
<b>Total non-current assets</b>		<b>4,166,576</b>	<b>-</b>	<b>4,166,576</b>
<b>TOTAL ASSETS</b>		<b>4,220,767</b>	<b>-</b>	<b>4,220,767</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		448,695	-	448,695
Accounts payable to related parties		210,812	-	210,812
<b>Total liabilities</b>		<b>659,507</b>	<b>-</b>	<b>659,507</b>
<b>Non-current liabilities</b>				
Flow-through share premium liability	(i)	-	38,107	38,107
<b>TOTAL LIABILITIES</b>		<b>659,507</b>	<b>38,107</b>	<b>697,614</b>
<b>EQUITY</b>				
Share capital	(i)	12,408,684	(22,937)	12,385,747
Equity reserves		1,404,694	-	1,404,694
Accumulated other comprehensive loss		(113,704)	-	(113,704)
Deficit	(i)	(10,138,414)	(15,170)	(10,153,584)
<b>TOTAL EQUITY</b>		<b>3,561,260</b>	<b>(38,107)</b>	<b>3,523,153</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,220,767</b>	<b>-</b>	<b>4,220,767</b>

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17. EXPLANATION OF TRANSITION TO IFRS (Cont'd)

The May 31, 2010 Canadian GAAP interim balance sheet has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		\$	\$	\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash		596,754	-	596,754
Marketable securities		28,667	-	28,667
Receivables		22,830	-	22,830
Prepaid expenses		1,331	-	1,331
<b>Total current assets</b>		<b>649,582</b>	<b>-</b>	<b>649,582</b>
<b>Non-current assets</b>				
Advances on projects		716,169	-	716,169
Property, plant and equipment		115,268	-	115,268
Exploration and evaluation assets		3,478,567	-	3,478,567
<b>Total non-current assets</b>		<b>4,310,004</b>	<b>-</b>	<b>4,310,004</b>
<b>TOTAL ASSETS</b>		<b>4,959,586</b>	<b>-</b>	<b>4,959,586</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		333,515	-	333,515
Accounts payable to related parties		85,651	-	85,651
<b>Total liabilities</b>		<b>419,166</b>		<b>419,166</b>
<b>Non-current liabilities</b>				
Flow-through share premium liability		-	38,107	38,107
<b>TOTAL LIABILITIES</b>		<b>419,166</b>	<b>38,107</b>	<b>457,283</b>
<b>EQUITY</b>				
Share capital	(i)	13,357,991	(22,937)	13,335,054
Equity reserves		1,682,387	-	1,682,387
Accumulated other comprehensive loss		(115,871)	-	(115,871)
Deficit	(i)	(10,384,087)	(15,170)	(10,399,257)
<b>TOTAL EQUITY</b>		<b>4,540,420</b>	<b>(38,107)</b>	<b>4,502,313</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,959,586</b>	<b>-</b>	<b>4,959,586</b>

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**17. EXPLANATION OF TRANSITION TO IFRS (Cont'd)**

The February 28, 2011 Canadian GAAP interim balance sheet has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		\$	\$	\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash		1,237,256	-	1,237,256
Marketable securities		14,533	-	14,533
Receivables		118,747	-	118,747
Prepaid expenses		1,288	-	1,288
<b>Total current assets</b>		<b>1,371,824</b>	<b>-</b>	<b>1,371,824</b>
<b>Non-current assets</b>				
Property, plant and equipment		110,535	-	110,535
Exploration and evaluation assets		4,509,191	-	4,509,191
<b>Total non-current assets</b>		<b>4,619,726</b>	<b>-</b>	<b>4,619,726</b>
<b>TOTAL ASSETS</b>		<b>5,991,550</b>	<b>-</b>	<b>5,991,550</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		439,263	-	439,263
Accounts payable to related parties		102,654	-	102,654
<b>Total liabilities</b>		<b>541,917</b>	<b>-</b>	<b>541,917</b>
<b>Non-current liabilities</b>				
Flow-through share premium liability		-	-	-
<b>TOTAL LIABILITIES</b>		<b>541,917</b>	<b>-</b>	<b>541,917</b>
<b>EQUITY</b>				
Share capital	(i)	15,785,183	10,917	15,796,100
Equity reserves		1,647,382	-	1,647,382
Accumulated other comprehensive loss		(130,004)	-	(130,004)
Deficit	(i)	(11,852,928)	(10,917)	(11,863,845)
<b>TOTAL EQUITY</b>		<b>5,449,633</b>	<b>-</b>	<b>5,449,633</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,991,550</b>	<b>-</b>	<b>5,991,550</b>

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**17. EXPLANATION OF TRANSITION TO IFRS (Cont'd)**

The Canadian GAAP statement of interim comprehensive loss for the three month period ended May 31, 2010 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		\$	\$	\$
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Amortization		1,578	-	1,578
Consulting fees		40,577	-	40,577
Expense recoveries		-	-	-
Foreign exchange loss		5	-	5
Management fees		13,500	-	13,500
New project development		300	-	300
Office and miscellaneous		8,578	-	8,578
Professional fees		27,860	-	27,860
Share-based payments		142,289	-	142,289
Telephone		1,325	-	1,325
Transfer agent and regulatory fees		1,881	-	1,881
Travel and promotion		14,629	-	14,629
<b>Loss before other item</b>		(252,522)	-	(252,522)
<b>OTHER ITEM</b>				
Interest income		6,849	-	6,849
<b>Loss before income taxes</b>		(245,673)	-	(245,673)
Deferred income tax recovery		-	-	-
<b>Net loss for the period</b>		(245,673)	-	(245,673)

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**17. EXPLANATION OF TRANSITION TO IFRS (Cont'd)**

The Canadian GAAP statement of interim comprehensive loss for the year ended February 28, 2011 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		\$	\$	\$
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Amortization		6,311	-	6,311
Consulting fees		181,825	-	181,825
Expense recoveries		-	-	-
Foreign exchange loss		(1,767)	-	(1,767)
Management fees		54,000	-	54,000
New project development		25,416	-	25,416
Office and miscellaneous		21,885	-	21,885
Professional fees		183,925	-	183,925
Share-based payments		295,862	-	295,862
Telephone		9,553	-	9,553
Transfer agent and regulatory fees		21,090	-	21,090
Travel and promotion		75,190	-	75,190
<b>Loss before other item</b>		(873,290)	-	(873,290)
<b>OTHER ITEMS</b>				
Interest income		86,482	-	86,482
Write-off of exploration assets		(284,450)	-	(284,450)
Extinguishment of accounts payable		49,535	-	49,535
Valuation allowance of advances on projects		(794,700)	-	(794,700)
<b>Loss before income taxes</b>		(1,816,423)	-	(1,816,423)
Deferred income tax recovery	(i)	101,909	4,253	106,162
<b>Net loss for the period</b>		(1,714,514)	4,253	(1,710,261)

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**17. EXPLANATION OF TRANSITION TO IFRS** *(Cont'd)*

Explanations for the adjustments are as follows:

- (i) Under Canadian GAAP, share capital is recorded as net proceeds less the deferred tax liability related to the renounced expenditures. Under the IFRS framework, the increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds, or premium, are recorded as a deferred charge. When expenditures are renounced, a deferred tax liability is recognized and the deferred charge is reversed. The net amount is recognized as deferred tax expense. On adoption of IFRS, the Company recorded a \$22,937 decrease to share capital and a premium liability of \$38,107.