



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED APRIL 30, 2012

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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

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

REVOLUTION RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)
AS AT

	April 30, 2012	October 31, 2011 (Note 13)	November 1, 2010 (Note 13)
ASSETS			
Current			
Cash and cash equivalents	\$ 3,561,032	\$ 8,101,059	\$ 4,384,055
Short-term investments	138,000	138,000	-
Receivables	491,854	98,570	80,936
Prepays	<u>31,070</u>	<u>73,966</u>	<u>-</u>
	4,221,956	8,411,595	4,464,991
Loans receivable (Note 4)	-	-	300,000
Exploration advances	927,508	-	-
Equipment (Note 5)	12,248	14,409	6,324
Exploration and evaluation assets (Note 6)	<u>17,194,795</u>	<u>7,784,032</u>	<u>5,851,489</u>
	<u>\$ 22,356,507</u>	<u>\$ 16,210,036</u>	<u>\$ 10,622,804</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current			
Accounts payable and accrued liabilities	<u>\$ 707,325</u>	<u>\$ 410,853</u>	<u>\$ 307,779</u>
Shareholders' equity			
Share capital (Note 7)	32,619,962	26,268,900	12,659,871
Reserves (Note 7)	4,174,437	3,094,151	1,516,529
Deficit	<u>(15,145,217)</u>	<u>(13,563,868)</u>	<u>(3,861,375)</u>
	<u>21,649,182</u>	<u>15,799,183</u>	<u>10,315,025</u>
	<u>\$ 22,356,507</u>	<u>\$ 16,210,036</u>	<u>\$ 10,622,804</u>

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on June 12, 2012:

"Aaron Keay" Director _____
"Michael Williams" Director

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

REVOLUTION RESOURCES CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited)

(Expressed in Canadian Dollars)

	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011 (Note 13)	Six Months Ended April 30, 2012	Six Months Ended April 30, 2011 (Note 13)
GENERAL EXPENSES				
Consulting fees	\$ 15,000	\$ 157,500	\$ 51,400	\$ 197,500
Depreciation (Note 5)	1,080	474	2,161	948
Investor relations and shareholder communications	109,587	563,330	280,309	635,873
Management fees	85,000	95,000	230,000	165,000
Office and miscellaneous	107,918	40,913	221,657	203,736
Professional fees	129,190	68,954	215,817	133,733
Property investigation costs	32,910	78,015	114,663	105,937
Share-based payments (Note 7)	98,921	587,943	137,034	726,462
Transfer agent and filing fees	31,107	23,746	43,343	32,885
Travel	102,001	105,348	201,996	172,767
Loss before other items	(712,714)	(1,721,223)	(1,498,380)	(2,374,841)
OTHER ITEMS				
Foreign exchange loss	(35,333)	-	(89,150)	-
Interest income	6,181	5,498	6,181	14,249
	(29,152)	5,498	(82,969)	14,249
Loss and comprehensive loss for the period	\$ (741,866)	\$ (1,715,725)	\$ (1,581,349)	\$ (2,360,592)
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.05)
Weighted average number of common shares outstanding	77,811,484	57,052,664	73,539,756	48,483,619

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

REVOLUTION RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)
SIX MONTHS ENDED APRIL 30

	2012	2011
		(Note 13)
CASH FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,581,349)	\$ (2,360,592)
Items not affecting cash:		
Depreciation	2,161	948
Share-based payments	137,034	726,462
Changes in non-cash working capital items:		
Receivables	(393,284)	(131,266)
Prepays	42,897	(268,000)
Accounts payable and accrued liabilities	<u>(71,514)</u>	<u>(20,246)</u>
Net cash used in operating activities	<u>(1,864,055)</u>	<u>(2,052,694)</u>
CASH FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(6,888,210)	(2,981,191)
Exploration advances	<u>(927,508)</u>	<u>-</u>
Net cash used in investing activities	<u>(7,815,718)</u>	<u>(2,981,191)</u>
CASH FROM FINANCING ACTIVITIES		
Proceeds on issuance of share capital	5,767,250	9,328,025
Share issuance costs	<u>(627,504)</u>	<u>(644,548)</u>
Net cash provided by financing activities	<u>5,139,746</u>	<u>8,683,477</u>
Change in cash and cash equivalents during the period	(4,540,027)	3,649,592
Cash and cash equivalents, beginning of period	<u>8,101,059</u>	<u>4,384,055</u>
Cash and cash equivalents, end of period	<u>\$ 3,561,032</u>	<u>\$ 8,033,647</u>
Cash and cash equivalents		
Cash	\$ 3,561,032	\$ 1,533,647
Guaranteed investment certificates	<u>-</u>	<u>6,500,000</u>
Total cash and cash equivalents	<u>\$ 3,561,032</u>	<u>\$ 8,033,647</u>

Supplemental disclosure with respect to cash flows (Note 9)

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

REVOLUTION RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Share capital		Reserves	Deficit	Total
	Number	Amount			
Balance at November 1, 2010	39,602,500	\$ 12,659,871	\$ 1,516,529	\$ (3,861,375)	\$ 10,315,025
Issued for:					
Private placement	15,000,000	9,000,000	-	-	9,000,000
Share issue costs	-	(807,524)	162,976	-	(644,548)
Stock options and warrants exercised	656,050	489,433	(161,408)	-	328,025
Mineral property interests	2,250,000	1,077,500	38,775	-	1,116,275
Share-based payments	200,000	132,000	594,462	-	726,462
Loss for the period	-	-	-	(2,360,592)	(2,360,592)
Balance at April 30, 2011	57,708,550	\$ 22,551,280	\$ 2,151,334	\$ (6,221,967)	\$ 18,480,647
Issued for:					
Private placement	9,000,000	3,780,000	720,000	-	4,500,000
Share issue costs	-	(113,783)	17,616	-	(96,167)
Stock options and warrants exercised	6,000	4,403	(1,403)	-	3,000
Share-based payments	100,000	47,000	206,604	-	253,604
Loss for the period	-	-	-	(7,341,901)	(7,341,901)
Balance at October 31, 2011	66,814,550	\$ 26,268,900	\$ 3,094,151	\$ (13,563,868)	\$ 15,799,183
Issued for:					
Mineral property interests	5,963,740	2,143,196	-	-	2,143,196
Private placement	16,962,500	4,919,125	848,125	-	5,767,250
Share issue costs	-	(711,259)	95,127	-	(616,132)
Share-based payments	-	-	137,034	-	137,034
Loss for the period	-	-	-	(1,581,349)	(1,581,349)
Balance at April 30, 2012	89,740,790	\$ 32,619,962	\$ 4,174,437	\$ (15,145,217)	\$ 21,649,182

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

REVOLUTION RESOURCES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

APRIL 30, 2012

(Unaudited – Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Revolution Resources Corp. (the “Company”) is an exploration company incorporated on July 14, 2009 under the laws of the Province of British Columbia, Canada. The Company is listed on the Toronto Stock Exchange (“TSX”).

The Company’s head office, principal address and registered and records office is 1500 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

The Company is in the business of acquiring, exploring and developing economically viable mineral resource deposits on its mineral properties. 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 in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern.

The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company’s ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION**Statement of Compliance**

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

The Company’s transition date to IFRS is November 1, 2010. The rules for first-time adoption of IFRS are set out in IFRS 1, “First-time adoption of International Financial Reporting Standards”. In preparing the Company’s first IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with Canadian generally accepted accounting principles (“GAAP”). Historical results and balances have been restated under IFRS. These condensed consolidated interim financial statements should be read in conjunction with the Company’s 2011 GAAP annual financial statements, and in consideration of the disclosure regarding the transition from Canadian GAAP to IFRS included in Note 13. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these interim financial statements nor in the Company’s most current annual GAAP financial statements.

REVOLUTION RESOURCES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

APRIL 30, 2012

(Unaudited – Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (cont'd...)**Basis of Presentation**

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these condensed consolidated interim financial statements are in accordance with IFRS and have not been audited.

Use of Estimates

The preparation of financial statements in conformity with IFRS 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 the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation and depreciation of equipment and exploration and evaluation assets, valuation of share-based payments, recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

3. SIGNIFICANT ACCOUNTING POLICIES**Basis of consolidation**

These condensed consolidated interim financial statements include the financial statements of the Company and the entities controlled by the Company (Note 8). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

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 periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date 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 the statement of comprehensive loss.

REVOLUTION RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

APRIL 30, 2012

(Unaudited – Expressed in Canadian Dollars)

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

Financial instruments

Financial assets

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company’s cash is classified as FVTPL. Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company’s receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At April 30, 2012, the Company has not classified any financial assets as available for sale.

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

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company has not classified any financial liabilities as FVTPL.

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

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity’s financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

REVOLUTION RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

APRIL 30, 2012

(Unaudited – Expressed in Canadian Dollars)

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

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at the following annual rate:

Computer equipment	30%
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Exploration and evaluation assets

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

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

Impairment

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

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

REVOLUTION RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

APRIL 30, 2012

(Unaudited – Expressed in Canadian Dollars)

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

Provisions

a) Environmental rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the statement of comprehensive loss. The Company had no rehabilitation obligations as at April 30, 2012, October 31, 2011 or November 1, 2010.

b) Other provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Share-based payments

The Company grants stock options to acquire 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 capital stock.

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 at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital.

REVOLUTION RESOURCES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

APRIL 30, 2012

(Unaudited – Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income taxes

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts 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 or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will 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 date of the statement of financial position.

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.

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended October 31, 2012:

- IFRS 9 New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets⁽ⁱⁱⁱ⁾
- IFRS 10 New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities⁽ⁱ⁾
- IFRS 11 New standard to account for the rights and obligations in accordance with a joint agreement⁽ⁱ⁾
- IFRS 12 New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39⁽ⁱ⁾
- IFRS 13 New standard on the measurement and disclosure of fair value⁽ⁱ⁾
- IAS 1 (Amendment) Presentation of other comprehensive income⁽ⁱⁱ⁾
- IAS 28 (Amendment) New standard issued that supersedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures⁽ⁱ⁾

(i) Effective for annual periods beginning on or after January 1, 2013

(ii) Effective for annual periods beginning on or after July 1, 2012

(iii) Effective for annual periods beginning on or after January 1, 2015

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

REVOLUTION RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

APRIL 30, 2012

(Unaudited – Expressed in Canadian Dollars)

4. LOANS RECEIVABLE

During the year ended October 31, 2010, the Company granted loans to certain Directors totaling \$300,000. The loans were solely used for acquiring shares of the Company and were repayable on August 12, 2014. The loans did not bear interest, unless in default, at which time the loans bore interest at 6% per annum. The loans were secured by the 2,000,000 common shares of the Company acquired by the loan.

During the year ended October 31, 2011, the Company entered into an agreement with the Directors to offset the loans receivable with amounts payable under the Champion Hills purchase and sale agreement (Note 6).

5. EQUIPMENT

	Computer equipment
Cost	
Balance, November 1, 2010	\$ 7,070
Additions for the period	<u>10,981</u>
Balance, October 31, 2011	18,051
Additions for the period	<u>-</u>
Balance, April 30, 2012	\$ 18,051
Accumulated depreciation	
Balance, November 1, 2010	\$ 746
Depreciation for the period	<u>2,896</u>
Balance, October 31, 2011	3,642
Depreciation for the period	<u>2,161</u>
Balance, April 30, 2012	\$ 5,803
Carrying amounts	
As at October 31, 2011	\$ 14,409
As at April 30, 2012	<u>\$ 12,248</u>

REVOLUTION RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

APRIL 30, 2012

(Unaudited – Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	April 30, 2012		
	<u>Mexico</u>	<u>Champion Hills</u>	<u>Total</u>
Exploration costs			
Balance, beginning of period	\$ -	\$ 5,372,038	\$ 5,372,038
Assays	306,631	183,658	490,289
Camp and road access	159,710	13,111	172,821
Drilling	282,538	-	282,538
Equipment rental and maintenance	-	32,244	32,244
Field work and personnel	264,580	134,198	398,778
Geological consulting	705,269	101,898	807,167
Lease payments and permitting	398,504	72,433	470,937
Project management fees	-	50,312	50,312
Project administration and report preparation	141,729	-	141,729
Travel and transportation	<u>123,496</u>	<u>81,752</u>	<u>205,248</u>
	<u>2,382,457</u>	<u>669,606</u>	<u>3,052,063</u>
Balance, end of period	<u>2,382,457</u>	<u>6,041,644</u>	<u>8,424,101</u>
Acquisition costs			
Balance, beginning of period	-	2,411,994	2,411,994
Acquisition costs	5,792,295	527,097	6,319,392
Staking costs	<u>39,308</u>	<u>-</u>	<u>39,308</u>
Balance, end of period	<u>5,831,603</u>	<u>2,939,091</u>	<u>8,770,694</u>
Balance, April 30, 2012	\$ 8,214,060	\$ 8,980,735	\$ 17,194,795

REVOLUTION RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

APRIL 30, 2012

(Unaudited – Expressed in Canadian Dollars)

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

	October 31, 2011		
	<u>Nuukfjord</u>	<u>Champion Hills</u>	<u>Total</u>
Exploration costs			
Balance, beginning of year	\$ 3,931,986	\$ 172,987	\$ 4,104,973
Assays	-	486,204	486,204
Drilling	-	2,487,657	2,487,657
Equipment rental and maintenance	-	342,382	342,382
Fees & licenses	1,650	1,082	2,732
Field work, field personnel and geological consulting	6,419	1,425,968	1,432,387
Lease payments	-	140,773	140,773
Project management fees	13,750	13,750	27,500
Project administration and report preparation	3,068	-	3,068
Travel and transportation	-	301,235	301,235
	<u>24,887</u>	<u>5,199,051</u>	<u>5,223,938</u>
Balance, end of year	<u>3,956,873</u>	<u>5,372,038</u>	<u>9,328,911</u>
Acquisition costs			
Balance, beginning of year	1,727,389	19,127	1,746,516
Acquisition costs	-	2,392,867	2,392,867
Balance, end of year	<u>1,727,389</u>	<u>2,411,994</u>	<u>4,139,383</u>
Write-off of mineral property	<u>(5,684,262)</u>	<u>-</u>	<u>(5,684,262)</u>
Balance, October 31, 2011	<u>\$ -</u>	<u>\$ 7,784,032</u>	<u>\$ 7,784,032</u>

Title to mineral properties

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

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

Mexico Property Portfolio

On December 14, 2011, the Company entered into an option agreement with Lake Shore Gold Corp. (“Lake Shore”) to acquire up to a 100% interest in the Universo, and Montana de Oro (comprised of Montana de Oro, Lluvia de Oro and La Bufa properties) properties in Mexico.

In order to acquire an initial 60% in the Mexican properties, the Company has issued 5,713,740 common shares valued at \$2,056,946, must incur \$35,000,000 in expenditures on the Mexican properties by August 31, 2016, including reimbursing Lake Shore for expenditures incurred with respect to the properties in 2011, and, within 30 days of incurring \$15,000,000 in expenditures, issue to Lake Shore \$1,000,000 in common shares of the Company.

The Company can acquire a 100% interest in either or both of Universo and Montana de Oro properties by completing National Instrument 43-101 compliant technical reports and satisfying certain additional terms, as outlined below, on or before August 31, 2017:

1. With respect to Universo, by producing an NI 43-101 technical report showing a total resource of all categories of at least two million gold-equivalent ounces and paying Lake Shore \$20 per ounce of resources defined in such report, in cash or in common shares of the Company at the election of Lake Shore.
2. With respect to the Montana de Oro properties, by producing an NI 43-101 technical report showing a total resource of all categories of at least one million gold-equivalent ounces and paying Lake Shore \$20 per ounce of resources defined in such report in cash or in common shares of the Company at the election of Lake Shore.

The option to acquire a 100% interest with respect to either the Universo or Montana de Oro property may be exercised prior to the exercise of the option to acquire a 60% interest therein, provided that the Company pays to Lake Shore an amount equal to any expenditures under the 60% option not yet incurred by the Company to the date of completion of the applicable technical report.

In the event the Company acquires a 60% interest, but not a 100% interest, in respect of either property, the Company and Lake Shore will enter into a joint venture with respect to such property. The Company and Lake Shore will each have a right of first refusal on the transfer of the other party's interest in the joint venture.

Lake Shore will have the right to have one nominee appointed to the board of directors of the Company following the execution of the option agreement. The nomination right will continue during the period of the Company's option to acquire a 60% interest described above and subsequently so long as Lake Shore holds at least 5% of the issued and outstanding common shares of the Company.

The Universo and Montana de Oro properties are subject to underlying agreements. Payments related to the maintenance of the underlying agreements qualify as expenditures under the agreement with Lake Shore:

1. Underlying payments on the Universo property total US\$4,500,000 over the term of the Lake Shore agreement with US\$550,000 payable in the first year of the agreement (USD\$385,000 paid). There is a net smelter royalty (“NSR”) of 1.5% payable on certain claims upon commencement of commercial production.
2. Underlying payments on the Montana de Oro property total MXP 1,083,990 in the first year (MXP 73,144 paid) and MXP 1,000,000 every year thereafter.

Subsequent to period end, the Company entered into an option agreement to acquire three additional claims to the La Bufa claims in the Montana de Oro property. The agreement requires cash payments totalling US\$350,000 and issuing 800,000 common shares of the Company over a two year period. The agreement remains subject to the approval of the TSX. The vendor retains a 1.5% NSR with respect to these claims.

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

Champion Hills Properties (USA)

During fiscal 2011, the Company acquired, from a non-arm's length private company, a 90% interest in two option and lease agreements by issuing 2,000,000 common shares valued at \$930,000 and paying \$375,312 (US\$375,000) (Note 4). The Company has the right of first refusal on the remaining 10% after incurring US\$1,000,000 in exploration expenditures.

The Company has entered into various additional option and purchase agreements to complement the initial land package directly with property owners which entitle the Company to acquire 100% of these properties.

As at April 30, 2012, the various option and purchase agreements cover approximately 7,122 acres (October 31, 2011 – 1,817 acres), require annual lease payments of US\$200 per acre over a five year term and US\$1 per foot drilled. The Company has the option to purchase each land package for the greater of 150% of the appraised value or a certain fixed price. Upon commencement of commercial production the properties are subject to a 2% NSR.

Silver Hill and Silver Valley

During fiscal 2011 the Company entered into two separate letter agreements with a private company, Carolina Mineral Resources Inc. ("CMRI"), on properties known as the Silver Hill mine and the Silver Valley Mine, North Carolina.

Under the terms of the Silver Hill property agreement the Company can earn 100% of CMRI's rights to a mineral lease agreement for consideration of US\$220,000 and exploration expenditures totalling US\$2,500,000 paid in stages to March 2015 and the issuance 300,000 common shares in stages to March 2014. The Company is also required to issue 500,000 common shares upon completion of a positive, bankable feasibility study and an additional 500,000 common shares upon commencement of commercial production. The property is subject to a 4% NSR. During the year ended October 31, 2011, the Company issued 75,000 common shares valued at \$44,250 and paid \$59,146 (US\$60,000). During the period ended April 30, 2012, the Company issued an additional 75,000 common shares valued at \$25,875, paid \$40,000 and completed the first tranche of exploration expenditures totalling US\$500,000.

Under the terms of the Silver Valley mine agreement the Company can earn 100% of CMRI's rights to a mineral lease agreement for consideration of US\$200,000 and exploration expenditures totalling US\$2,500,000 paid in stages to March 2015 and the issuance of 300,000 common shares in stages to March 2014. The Company is also required to issue 500,000 common shares upon completion of a positive, bankable feasibility study, and an additional 500,000 common shares upon commencement of commercial production. The property is subject to a 4% NSR. During the year ended October 31, 2011, the Company issued 75,000 common shares valued at \$44,250 and paid \$39,430 (US\$40,000). During the period ended April 30, 2012, the Company issued an additional 75,000 common shares valued at \$25,875, paid \$40,000 and completed the first tranche of exploration expenditures totalling US\$500,000.

Virgilina

During fiscal 2011 the Company entered into an option agreement on the Virgilina copper property, North Carolina. The Company can earn a 100% interest in the property for consideration of US\$600,000 and exploration expenditures totalling US\$1,500,000 paid in stages to March 2015 and the issuance of 400,000 common shares in stages to March 2014. The Company is also required to issue 500,000 common shares upon completion of a positive, bankable feasibility study and an additional 500,000 common shares upon commencement of commercial production. During the year ended October 31, 2011, the Company issued 100,000 common shares valued at \$59,000 and paid \$118,291 (US\$120,000). During the period ended April 30, 2012, the Company issued an additional 100,000 common shares valued at \$34,500, paid \$120,000 and completed the first tranche of exploration expenditures totalling US\$100,000.

REVOLUTION RESOURCES CORP.

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6. EXPLORATION AND EVALUATION ASSETS (cont'd...)*Hoover Hill*

During fiscal 2011 the Company entered into an option and purchase agreement on the Hoover Hill mine property, North Carolina. The Company has a four year option to purchase each land package for the greater of 150% of the appraised value or a certain fixed price. The Company paid \$295,680 (US\$300,000) on signing and issued 100,000 share purchase warrants with a fair value of \$38,775. The option can be extended for an additional year for US\$100,000. Each warrant entitles the holder to one common share at an exercise price of \$0.75 for a period of four years. The fair value of these warrants was estimated using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.87%; dividend yield 0%; volatility of 100%; and an expected life of 3 years. The Company paid other acquisition costs of \$104,548. The property is subject to a 2% NSR, of which one-half (1%) may be purchased for US\$1,000,000.

Nuukfjord (Greenland)

By agreement dated July 17, 2009, as amended July 18, 2009, December 21, 2009 and February 25, 2010 (the "Acquisition Agreement") the Company acquired all of the issued and outstanding shares of Storgold Resources Ltd. ("Storgold"). Storgold's material asset at that time was a property option agreement (the "Option Agreement") with NunaMinerals A/S (a public Danish company) on certain mineral licenses in Greenland (the "Property"). Pursuant to the Acquisition Agreement, the Company issued 6,650,000 common shares valued at \$1,662,500, granted a 0.5% NSR and reimbursed the vendors' prior expenditures incurred in negotiating the Option Agreement of \$64,889, which were recorded as other acquisition costs, and \$13,967 recorded as exploration costs.

The Option Agreement entitled the Company to earn up to a 65% interest in the Property, in incremental phases. To earn the full 65% interest the Company is required to pay \$23,000,000 towards exploration expenditures over four years. Pursuant to the Option Agreement, NunaMinerals A/S is the operator, and will conduct all work on the Property. NunaMinerals A/S may, at its election, incur exploration expenses in advance of the option payment dates, which will be subsequently reimbursed by the Company. The Company advanced \$3,500,000 in exploration expenditures to earn an initial 15% interest (Phase A). The Company has elected to not continue to fund additional phases under the Option Agreement.

The Company's completion of Phase A was mandatory, whereas advancement of funds required to exercise the option in respect of Phase B, C and D are entirely at the Company's option. Upon the completion of any of Phases A, B or C, the Company has the option to form a joint venture partnership with NunaMinerals A/S or to complete the next phase. The Company elected not to complete Phase B; therefore, a joint venture partnership is deemed to have formed. When a joint venture is formed a new Danish company will be formed to hold title to the Property, which will be owned by Storgold and NunaMinerals A/S as to their respective interests. Contributions will be made based on each company's interest.

If subsequent to joining the joint venture the Company elects not to contribute its proportionate share of costs, the Company's interest is subject to dilution. If the Company's interest dilutes to less than 10%, its interest will automatically convert to a 1% NSR.

Given the Company's passive interest and election to not participate in Phase B, the Company wrote-off the capitalized costs of \$5,684,262 as at October 31, 2011.

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7. SHARE CAPITAL AND RESERVES**Authorized share capital**

As at April 30, 2012, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

Issued share capital

As at April 30, 2012, the Company had 89,740,790 common shares issued and outstanding.

Private placements

During the period ended April 30, 2012, the Company completed a bought deal financing, including the full exercise of the over-allotment option, whereby the Company issued 16,962,500 units at a price of \$0.34 per unit for gross proceeds of \$5,767,250. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire one common share of the Company at a price of \$0.60 for a period of 18 months following the closing of the offering. The warrants were assigned a residual value of \$848,125.

The Company paid \$403,708, issued 1,187,375 brokers' warrants valued at \$95,127 and paid other share issue costs of \$202,212. Each broker warrant will entitle the holder to acquire one common share of the Company at a price of \$0.60 for a period of 18 months following the closing of the offering. The fair value of these broker warrants was estimated using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate of 1.26%; dividend yield of 0%; volatility of 100%; and an expected life of 1.5 years.

During the year ended October 31, 2011, the Company:

- a) Completed a brokered private placement and issued 15,000,000 common shares at a price of \$0.60 per common share for proceeds of \$9,000,000. The Company paid \$540,000 and issued 900,000 broker warrants as finder's fees. Each broker warrant entitles the holder to acquire one common share at a price of \$0.80 for a period of one year. An estimated fair value of \$162,976 was assigned to the brokers' warrants. The fair value of these broker warrants was estimated using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate of 1.74%; dividend yield 0%; volatility of 100%; and an expected life of 1 year. The Company paid other share issuance costs of \$107,432.
- b) Completed a non-brokered private placement and issued 9,000,000 units at a price of \$0.50 per unit for proceeds of \$4,500,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of \$0.75 per share for a period of four years. The warrants were assigned a residual value of \$720,000.

The Company paid \$60,000, issued 120,000 brokers' warrants as finder's fees valued at \$17,616 and paid other share issue costs of \$33,283. Each warrant entitles the holder to acquire one common share at a price of \$0.60 per share for a period of one year. The fair value of these broker warrants was estimated using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate of 1.01%; dividend yield of 0%; volatility of 100%; and an expected life of 1 year.

Bonus Shares

During fiscal 2011, the Company issued 200,000 bonus shares valued at \$132,000 to a service provider of the Company for performance, which are recorded in share-based payments expense.

REVOLUTION RESOURCES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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7. SHARE CAPITAL AND RESERVES (cont'd...)**Stock options and warrants**

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, October 31, 2010	1,260,000	\$ 0.50	3,775,000	\$ 0.50
Granted	5,620,000	0.75	2,180,000	0.71
Exercised	(562,050)	0.50	(100,000)	0.50
Cancelled	-	-	(175,000)	0.50
Outstanding, October 31, 2011	6,317,950	0.73	5,680,000	0.58
Granted	9,668,625	0.60	1,175,000	0.43
Expired	(1,597,950)	0.67	(1,200,000)	0.50
Outstanding, April 30, 2012	14,388,625	\$ 0.65	5,655,000	\$ 0.57
Number currently exercisable	14,388,625	\$ 0.65	4,153,750	\$ 0.59

Stock options and warrants outstanding

The following incentive stock options and warrants were outstanding at April 30, 2012:

	Number	Exercise price	Expiry date
Stock options			
	100,000	\$ 0.80	April 12, 2013
	225,000	0.80	May 15, 2014
	2,300,000	0.50	April 27, 2015
	1,225,000	0.70	February 15, 2016
	150,000	0.80	May 11, 2016
	330,000	0.70	June 15, 2016
	150,000	0.50	October 25, 2016
	1,175,000	0.43	February 1, 2017
Warrants			
	8,481,250	\$ 0.60	October 3, 2013
	4,500,000	0.75	October 18, 2015
Brokers Warrants			
	120,000	\$ 0.60	October 18, 2012
	1,187,375	0.60	October 3, 2013
Special Warrants			
	100,000	\$ 0.75	March 15, 2015

REVOLUTION RESOURCES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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7. SHARE CAPITAL AND RESERVES (cont'd...)**Share-based payments**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

During the period ended April 30, 2012, the Company granted 1,175,000 (2011 – 1,325,000) options with a weighted average fair value of \$0.30 per option (2011 - \$0.44) to directors, officers and consultants. Total share-based payments for options granted and vested recognized in the statement of comprehensive loss for the period ended April 30, 2012 was \$137,034 (2011 – \$594,462) pursuant to vesting incentive options. This amount was also recorded as reserves on the statement of financial position. Additional share-based payments recognized in the period ended April 30, 2011 of \$132,000 relates to the issuance of 200,000 bonus shares.

The following weighted average assumptions were used for the valuation of stock options:

	2012	2011
Risk-free interest rate	1.35%	2.70%
Expected life of options	2.7 years	2.9 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%

8. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and its 100% owned subsidiaries Revolution Resources (NC) Inc. (USA), and Minera Revolution, S.A. de C.V. (Mexico).

During the period ended April 30, 2012, the Company paid or accrued:

- Management fees of \$230,000 (2011 - \$165,000) to officers of the Company.
- Geological consulting fees of \$Nil (2011 - \$25,000) to a former officer of the Company.
- Professional fees of \$35,000 (2011 - \$57,500) to an officer and former officer of the Company.
- Consulting fees of \$45,000 (2011 - \$155,000) to directors of the Company.
- Shareholder communications fees of \$Nil (2011 - \$47,850) to a company controlled by a director of the Company.

Share-based payment expense for the period ended April 30, 2012 included compensation to directors and officers of \$72,385 (2011 - \$165,248) for stock options vesting during the period.

Included in accounts payable is \$22,045 (October 31, 2011 - \$117,622) due to directors of the Company.

During the year ended October 31, 2011, the Company entered into an agreement with certain directors to offset loans receivable (Note 4) with amounts payable under the Champion Hills purchase and sale agreement pursuant to the acquisition of an interest in certain option agreements from a non-arm's length private company (Note 6).

REVOLUTION RESOURCES CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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8. RELATED PARTY TRANSACTIONS

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company operates from the premises of a group of public and private companies with common directors. Certain companies provide geological consulting and office and administrative services to the Company and various other public companies. Included in accounts payable and accrued liabilities is \$76,444 (October 31, 2011 - \$29,147) due to a related private company. During the period, the Company paid or accrued \$193,797 (2011 - \$387,728) for geological consulting, and \$99,594 (2011 - \$21,739) for office and administrative expenditures.

A private company controlled by a director of the Company provides management and professional services to public companies. During the period ended April 30, 2012, the Company paid or accrued \$27,500 (2011 - \$Nil) for investor relations services, \$28,875 (2011 - \$Nil) for accounting services and \$15,876 (2011 - \$Nil) for administration expenses.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the period ended April 30, 2012, include the Company:

- a) Incurring mineral property expenditures of \$531,044 through accounts payable and accrued liabilities.
- b) Issuing 5,963,740 common shares at a value of \$2,143,196 pursuant to the acquisition of mineral properties.
- c) Issuing 1,187,374 brokers' warrants valued at \$95,127 as finders' fees in relation to the brokered private placement.

Significant non-cash transactions for the period ended April 30, 2011, include the Company:

- a) Incurring mineral property expenditures of \$505,147 through accounts payable and accrued liabilities.
- b) Issuing 2,250,000 common shares at a value of \$1,077,500 pursuant to the acquisition of mineral properties.
- c) Issuing of 100,000 special warrants with a fair value of \$38,775 pursuant to the acquisition of mineral properties.
- d) Granting 900,000 brokers' warrants valued at \$162,976 as finders' fees in relation to the brokered private placement.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Financial Instruments**

Cash and cash equivalents is carried at fair value using a level 1 fair value measurement. The carrying value of short-term investments, receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. Loans receivable are long-term and are recorded at amortized cost.

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

REVOLUTION RESOURCES CORP.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors

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

Credit risk

Credit risk is the risk of 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 and equivalents and short-term investments. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2012, the Company had a cash and cash equivalents and short-term investments balance of \$3,699,032 to settle current liabilities of \$707,325.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and equivalents and short-term investments balances. The Company's current policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at April 30, 2012, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

The majority of the Company's business is conducted in Mexico in Canadian dollars and Mexican pesos and in the USA in the US dollar. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar, the Mexican peso and the US Dollar. Fluctuations in the exchange rate among the Canadian dollar, the Mexican peso and the US dollar may have a material adverse effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

c) Price risk

The mining industry is heavily dependent upon the market price of the metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond control of the Company may affect the marketability of any minerals discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the Company's control. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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11. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

12. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition, exploration and development of mineral property concessions. Geographic information is as follows:

	April 30, 2012	October 31, 2011
Capital assets:		
Canada	\$ 12,248	\$ 14,409
USA	8,980,735	7,784,032
Mexico	<u>8,214,060</u>	<u>-</u>
	<u>\$ 17,207,043</u>	<u>\$ 7,798,441</u>

13. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these financial statements are for the period covered by the Company's first condensed consolidated interim 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 periods ended April 30, 2012 and 2011, the financial statements for the year ended October 31, 2011 and the opening IFRS statement of financial position on November 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the interim period ended April 30, 2012, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS.

Share-based payment transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and vested before the Transition Date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding instruments that are unvested as at the Transition Date to IFRS. The Company had unvested awards at the Transition Date which did not require adjustment for compliance with IFRS.

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13. FIRST TIME ADOPTION OF IFRS (cont'd...)**Estimates**

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of November 1, 2010 are consistent with its GAAP estimates for the same date.

The reconciliation between GAAP and IFRS statement of financial position as at November 1, 2010 (date of transition to IFRS), April 30, 2011 and October 31, 2011 is provided below:

	November 1, 2010	April 30, 2011	October 31, 2011
Total assets under Canadian GAAP	\$ 10,622,804	\$ 19,216,843	\$ 16,210,036
Adjustment	-	-	-
Total IFRS adjustment to total assets	-	-	-
Total assets under IFRS	\$ 10,622,804	\$ 19,216,843	\$ 16,210,036

The reconciliation between GAAP and IFRS statement of equity as at November 1, 2010 (date of transition to IFRS), April 30, 2011 and October 31, 2011 is provided below:

	November 1, 2010	April 30, 2011	October 31, 2011
Equity under Canadian GAAP	\$ 10,315,025	\$ 18,480,647	\$ 15,799,183
Adjustment to equity	-	-	-
Total IFRS adjustment to equity	-	-	-
Equity under IFRS	\$ 10,315,025	\$ 18,480,647	\$ 15,799,183

The reconciliation between GAAP and IFRS total comprehensive loss for the period ended April 30, 2011 and the year ended October 31, 2011 is provided below:

	Three Months Ended April 30, 2011	Six Months Ended April 30, 2011	October 31, 2011
Comprehensive loss under Canadian GAAP	\$ (1,715,725)	\$ (2,360,592)	\$ (9,702,493)
Adjustment	-	-	-
Total IFRS adjustment to comprehensive loss	-	-	-
Comprehensive loss under IFRS	\$ (1,715,725)	\$ (2,360,592)	\$ (9,702,493)

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statement of cash flows for the period ended April 30, 2011 or the year ended October 31, 2011.