JIULIAN RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED MAY 31, 2011 AND 2012

(Unaudited)

CONDENSED INTERIM FINANCIAL STATEMENTS

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Jiulian Resources Inc.
Condensed Interim Statement of Financial Position
May 31, 2012 and February 2012
(Unaudited - Prepared by Management - Expressed in Canadian Dollars)

	Note	May 31, 2012 (Unaudited)	February 29, 2012 (Audited)	March 1, 2011 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	5	$ 48,517	$ 2,472	$ 72,864
Term Deposit	7	880,457	947,527	1,147,581
Prepaid Expenses		4,672	4,672	4,333
Amount Receivable		5,761	7,378	5,741
Deferred Financing Costs		28,500	28,500	16,000
Total Current Assets		$ 967,907	$ 990,549	$ 1,246,519
Non-Current Assets				
Equipment	8	10,856	11,713	14,860
Mineral Properties	9			
Intangible		$ 306,250	$ 306,250	$ -
Tangible		86,646	76,682	0
Total Mineral Properties		$ 392,896	$ 382,932	$ 0
Total Non-Current Assets		$ 403,752	$ 394,645	$ 14,860
Total Assets		**$** 1,371,659	**$** 1,385,194	**$** 1,261,379
EQUITY AND LIABILITIES				
Current Liabilities				
Cheques written in excess of bank balance		$ -	$ -	$ -
Accounts Payable and Accrued Liabilities		39,764	24,473	39,348
Total Current Liabilities		$ 39,764	$ 24,473	$ 39,348
Non-Current Liabilities				
Remediation Provision	10	-	-	-
Total Non-Current Liabilities		$ -	$ -	$ -
Total Liabilities		**$** 39,7634	**$** 24,473	**$** 39,348
Equity				
Share Capital	11	$ 2,202,200	$ 2,202,200	$ 1,995,950
Contributed Surplus	11b	72,559	72,559	72,559
Accumulated Deficit		-942,864	-914,038	-817,188
Total Equity		$ 1,331,895	$ 1,360,721	$ 1,251,321
Total Equity and Liabilities		**$** 1,371,659	**$** 1,385,194	**$** 1,290,669

Jiulian Resources Inc.
Condensed Interim Statements of Loss and Comprehensive Income (Loss)
May 31, 2012 and 2011

(Unaudited - Prepared by Management - Expressed in Canadian Dollars)

	Note	Three Months Ended May 31, 2012	2011
Revenue			
Interest Income		$ 3,169	$ 4,234
Foreign Exchange Translation Gain (Loss)		-	-
Total Revenue		**$** 3,169	**$** 4,234
Administrative Expenses			
Acquisition Related Expenses		$ -	$ -
Amortization	8	857	1,252
Bank Charges		46	27
Consulting Fees		12,568	18,375
Filing And Transfer Agent Fees		7,085	1,204
Legal		1,580	4,095
Office and Administration		5,388	2,581
Salaries and Benefits		2,716	13,229
Travel		1,755	2,408
Loss Before Other Items:		**$** 31,995	**$** 43,170
Net Loss and Comprehensive Loss For The Year		**$** -28,826	**$** -38,936
Deficit, Beginning Of The Period		**$** -914,038	**$** -778,252
Deficit, End Of The Period		**$** -942,864	**$** -817,188
Loss Per Share - Basic and Diluted	16	$ 0.00	$ 0.00
Weighted Average Number Of Common Shares Outstanding - Basic and Diluted		11,595,000	9,379,427

Jiulian Resources Inc.
Condensed Interim Statement of Shareholders Equity
As at May 31, 2012
(Unaudited - Prepared by Management - Expressed in Canadian Dollars)

	Common Stock		Contributed	Deficit Accumulated During the	Total Shareholders'
	Shares	Amount	Surplus	Exploration Stage	Equity
Balance, March 1, 2007	2,700,000	135,000	45,500	(13,784)	166,716
IPO shares issued	2,000,000	200,000	-	-	200,000
Private Placement shares issued	4,620,000	1,663,200	-	-	1,540,866
Share issuance costs	-	(53,250)	-	-	(53,250)
Net Loss for the Year ended February 29, 2008	-	-	-	(122,334)	(122,334)
Balance, February 29, 2008	9,320,000	1,944,950	45,500	(136,118)	1,854,332
Net Loss for the Year ended February 28, 2009	-	-	-	(75,595)	(75,595)
Balance, February 28, 2009	9,320,000	1,944,950	45,500	(211,713)	1,778,737
Agents options exercised	200,000	30,000		-	30,000
Shares issued for mineral property	100,000	10,000		-	10,000
Allocated to share capital	-	-	(10,000)	-	(10,000)
Net Loss for the Year ended February 28, 2010	-	-	-	(120,536)	(120,536)
Balance, February 28, 2010	9,620,000	1,984,950	35,500	(332,249)	1,688,201
Shares issued for mineral property	100,000	11,000	-	-	11,000
Share based compensation	-	-	37,059	-	
Net Loss for the Year ended February 28, 2011	-	-	-	(446,003)	(446,003)
Balance, February 28, 2011	9,720,000	1,995,950	72,559	(778,252)	1,290,257
Shares issued for mineral property	1,875,000	206,250	-	-	206,250
Net Loss for the year ended February 29, 2012	-	-	-	(135,786)	(135,786)
Balance, February 29, 2012	11,595,000	2,202,200	72,559	(914,038)	1,360,721
Shares issued for mineral property	-	-	-	-	-
Net Loss for the three months ended May 31, 2012	-	-	-	-28,826	-28,826
Balance, May 31, 2012	11,595,000	2,202,200	72,559	(942,864)	1,331,895

Jiulian Resources Inc.

Condensed Interim Statements of Cash Flows

May 31, 2011 and 2010

(Unaudited - Prepared by Management - Expressed in Canadian Dollars)

	Note	Three Months Ended May 31, 2012	2011
Cash Provided by (Used in)			
Operating Activities			
Net Loss For The Period		$ -28,826	$ -38,936
Items Not Involving Cash:			
Amortization	8	857	1,252
		$ -27,969	**$** -37,684
Change In Non-cash Working Capital			
Deferred Financing Costs		$ -	$ -16,000
Accrued Interest On Term Deposit		-3,169	-4,234
Amount Receivable		19,758	12,713
Prepaid Expenses		-	1,089
GST/HST Payable		-2,851	-2,090
Accounts Payable and Accrued Liabilities		-	-
		$ -14,231	**$** -46,206
Investing Activities			
(Acquisition) Redemption Of Term Deposit		$ 70,239	$ 150,000
Acquisition, Exploration Of Mineral Properties		-9,963	-29,290
		$ 60,276	**$** 120,710
Increase In Cash And Cash Equivalents		$ 46,045	$ 74,504
Cash And Cash Equivalents, Beginning Of Period		**$** 2,472	**$** -1,640
Cash And Cash Equivalents, End Of Period		**$** 48,517	**$** 72,864

1. Corporate Information

Jiulian Resources Inc. (the "Company") was incorporated on October 17, 2006 under the laws of British Columbia. The Company was a capital pool Company as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4. On July 28, 2009, the Exchange accepted for filing the Company's Qualifying Transaction, as a result, the Company resumed trading as a Tier 2 mining company under the symbol "JLR", on August 26, 2009. The Company is now pursuing opportunities in the acquisition, exploration and development of mineral resource properties.

The Company is in the process of exploring 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 property 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 the reserve, the achievement of profitable production, or alternatively upon the Company's ability of dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. In addition, although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The Company's exploration activities are subject to various federal, provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

2. Basis of Preparation

a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ('IFRS") and related IFRS interpretations Committee ("IFRSCs") as issued by the International Accounting Standards Board and effective for the year ending 29 February 2012. These interim financial statements for the period-ending May 31, 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

These consolidated financial statements should be read in conjunction with the Company's 2011 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company. The consolidated financial statements were authorized for issue by the Board of Directors on _____________.

b) Going Concern

These interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

There are several adverse conditions that cast significant doubt upon the soundness of this assumption. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of resource property expenditures is dependent upon several factors. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Consistent with other companies, in the sector of mineral exploration, the company has incurred operating losses since inception, has no stable source of revenue, is unable to self-finance operations and has significant cash requirements to meet its overhead and main its mineral interests. The Company incurred a net loss of $28,826 during the three months-ended May 31, 2012 and, as of that date the Company's deficit was $942,864. However, the company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. As the company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and the development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. There is, however, no assurance that any such initiatives will be sufficient and, as a result, there is significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

3. Summary of Significant Accounting Policies

The accounting policies set out below are expected to be adopted for the year-ending February 29, 2012 and have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the opening IFRS balance sheet at March 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

b) Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

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

Exploration and Evaluation Expenditures (E&E)[1]

Once the legal right to explore a property has been acquired, costs directly related to E&E expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transfee to meet certain E&E expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects for the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income. The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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Capitalizing vs. Expensing Exploration and Evaluation Costs:
Under IFRS 6, upon transition to IFRS, an entity may continue to follow their current accounting policies, whereby E&E expenditures are capitalized or a Company may elect to expense all E&E costs. Current industry practice on the capitalization vs. expensing of E&E activities varies by company. Significant management judgement is required to determine appropriate accounting principles relating to the treatment of E&E expenditures upon transition to IFRS. Jiulian Resources Inc. has elected to continue to capitalize E&E activities that are directly related to the discovery, acquisition or development of E&E activities upon transition to IFRS.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. E&E assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.
Mineral E&E expenditures are classified as intangible assets.

c) Reclamation Deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

d) Property, Plant and Equipment

Recognition and Measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item or property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major Maintenance and Repairs

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

Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation

Depreciation is recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Vehicles	30% using the declining balance method
Computer Equipment	45% using the declining balance method

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

e) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including E&E assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

f) Financial Instruments

Financial Assets

Financial assets are classified as 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:
Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.
Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

g) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environment disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.
Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

h) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

i) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants and flow-through shares are classified as equity instruments.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings/Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.
Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding

and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

j) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to best at each reporting date so that, ultimately, the cumulative amount recognized over the besting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the besting period, described as the period during which all the besting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

4. Critical Accounting Estimates and Judgements

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

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material judgement to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

i) Rehabilitation Provisions

Rehabilitation provisions have been created based on Jiulian Resources Inc.'s internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

ii) Exploration and Evaluation Expenditure

The application of the Company's accounting policy for E&E expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

iii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iv) Income Taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liability) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

v) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transaction requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

5. Cash and Cash Equivalents

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

6. Reclamation Deposits

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company.

7. Term Deposit

The term investments (redeemable) are Guaranteed Investment Certificates at a chartered Canadian Bank and interest is accrued at interest rate of 1.05%, cashable at anytime.

8. Property, Plant and Equipment

	Vehicles	Computers	Total
Cost or Deemed Cost			
Balance at March 1, 2010	$ 25,143	$ 2,160	$ 27,303
Additions	0	984	984
Disposals	0	0	0
Balance at February 28, 2011	$ 25,143	$ 3,144	$ 28,287
Balance at March 1, 2011	25,143	3,144	28,287
Additions	0	608	608
Disposals	0	0	0
Balance at February 29, 2012	$ 25,143	$ 3,752	$ 28,894
Depreciation and Impairment Losses			
Balance at March 1, 2010	$ 3,771	$ 1,620	$ 5,392
Depreciation for the Year	6,411	372	6,784
Impairment Loss	0	0	0
Disposals	0	0	0
Balance at February 28, 2011	$ 10,183	$ 1,992	$ 12,175
Balance at March 1, 2011	10,183	1,992	12,175
Depreciation for the Period	4,488	518	5,006
Impairment Loss	0	0	0
Disposals	0	0	0
Balance at February 29, 2011	$ 14,671	$ 2,511	$ 17,181
Balance at May 31, 2012	14,671	2,511	17,181
Depreciation for the Period	785	71	857
Impairment Loss	0	0	0
Disposals	0	0	0
Carrying Amounts			
At March 1, 2010	**$ 21,371**	**$ 540**	**$ 21,912**
At February 28, 2011	**$ 14,960**	**$ 1,151**	**$ 16,111**
At February 29, 2012	**$ 10,472**	**$ 1,241**	**$ 11,713**

9. Exploration and Evaluation of Assets

	Hawk Property	Big Kidd Property	Little Fort Property	Total
Balance at March 1, 2010	$ **79,368**	-	-	$ **79,368**
Exploration Costs	112,642	-	-	112,642
Acquisition of Property	31,000	-	-	31,000
Write-off of Unsuccessful Exploration Expenditure	-223,010	-	-	-223,010
Balance at February 28, 2011	$ **0**	-	-	$ **0**
Exploration Costs	-	39,990	36,693	76,682
Acquisition of Property	-	199,063	107,188	306,250
Write-off of Unsuccessful Exploration Expenditure	-	-	-	-
Balance at February 29, 2012	-	$ **239,052**	$ **143,880**	$ **382,932**
Exploration Costs	-	1,750	8,213	9,963
Acquisition of Property	-	-	-	-
Write-off of Unsuccessful Exploration Expenditure	-	-	-	-
Balance at May 31, 2012		$ **240,802**	$ **152,093**	$ **392,896**

On October 18, 2011 - Jiulian Resources Inc. (“Jiulian”) (JLR: TSXV) has entered an agreement with Xstrata Copper Canada, a business unit of Xstrata Canada Corporation, (“Xstrata”) allowing Xstrata the option to earn up to a 75% interest in Jiulian’s Big Kidd property, located in the Quesnel Trough region of southern British Columbia. The 4055.77 ha property is road accessible and is located approximately 20 km southeast of the city of Merritt. This is an arm’s length transaction and no finders were involved.

Jiulian acquired the Big Kidd property and Little Fort property from Gunpoint Exploration Ltd. on July 12, 2011. Jiulian will retain the Little Fort property. Jiulian prepared a work plan for the Big Kidd property and submitted the Notice of Work for an 18 kilometre IP survey and 2000 metre drilling on July 14, 2011 after compiling historical exploration data, inspecting the property and checking historic drill cores.

Under the terms of the agreement, Xstrata may earn an initial 51% interest by making staged cash payments to Jiulian totalling $180,000 and incurring cumulative exploration expenditures totalling $3 million over a four year period. Upon vesting at a 51% interest in the property, a joint venture will be formed and Xstrata will maintain the right to earn a further 24% interest (75% interest total) by funding the completion of a feasibility study or incurring $15 million in expenditures towards the completion of a prefeasibility study and a feasibility study on the property. Jiulian’s participation in the option agreement, and the transactions contemplated thereby, are subject to the approval of the TSX-Venture Exchange.

10. Provisions

	Rehabilitation	Total
Balance at March 1, 2010	**$ 0**	**$ 0**
Change in Liability Estimate	5,000	5,000
Accretion of Interest	0	0
Balance at February 28, 2011	**$ 5,000**	**$ 5,000**
Change in Liability Estimate	-5,000	-5,000
Accretion of Interest	0	0
Balance at February 29, 2012	**$ 0**	**$ 0**
Change in Liability Estimate	0	0
Accretion of Interest	0	0
Balance at May 31, 2012	**$ 0**	**$ 0**

Jiulian Resources Inc. makes full provision for the future cost of site rehabilitation on a discounted basis at the time E&E activities take place. The rehabilitation provision represents the present value of rehabilitation costs relating to the E&E activities.

11. Share Capital and Reserves

a) Common Shares

The Company is authorized to issue an unlimited number of shares, issuable in series.

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at the meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The following is a summary of changes in common share capital from March 1, 2010 to May 31, 2012:

	Number of Shares	Issue Price		Amount
Balance at March 1, 2010	**9,620,000**		**$**	**1,984,950**
Shares Issued Via Private Placement	0			0
Flow-through Share Issuance	0			0
Issue of Shares on Exercise of Warrants	0			0
Issue of Shares on Exercise of Options	0			0
Issue of Shares as Payment	100,000	$0.11		11,000
Less Share Issue Costs				0
Balance at February 28, 2011	**9,720,000**		**$**	**1,995,950**
Issue of Shares on Exercise of Warrants	0			0
Issue of Shares on Exercise of Options	0			0
Issue of Shares as Payment	1,875,000	0.11		206,250
Less Share Issue Costs				0
Balance at February 29, 2012	**11,595,000**		**$**	**2,202,200**
Issue of Shares on Exercise of Warrants	0			0
Issue of Shares on Exercise of Options	0			0
Issue of Shares as Payment	0			0
Less Share Issue Costs				0
Balance at May 31, 2012	**11,595,000**		**$**	**2,202,200**

Share Issuances:

On July 13, 2011, the Company issued 1,875,000 common shares to Gunpoint Exploration Ltd. ("Gunpoint") (TSXV: GUN) at the value of $206,250. The shares were valued using the bid price on this date of $0.15 per share, as per the policies of the Exchange.

b) Contributed Surplus

The following is a summary of changed in contributed surplus from March 1, 2010 to May 31, 2012:

	31/05/2012	29/02/2012	28/02/2011	01/03/2010
Beginning of Year	$ 72559	$ 72559	$ 35500	$ 45500
Stock Based Compensation	0	0	37059	0
Allocation to Share Capital	0	0	0	-10000
End of Year	$ 72559	$ 72,559	$ 72,559	$ 35,500

Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus', 'Accumulated Other Comprehensive Loss/Income' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise.

'Accumulated Other Comprehensive Loss/Income' includes an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings from period to period.

12. Share-Based Payments

a) Option Plan Details

The Company has an incentive Stock Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to three years. No amounts paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria.

The following is a summary of changes in options from March 1, 2010 to May 31, 2012:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Options Outstanding			Closing Balance	Vested and Exercisable	Unvested
				Granted	Exercised	Forfeited			
06/19/07	06/19/12	$0.10	0	350000	0	0	350000		
07/19/07	07/15/12	$0.36	350000	40000	0	0	390000		
04/21/10	04/21/13	$0.15	390000	530000	0	0	920000		
				During the Period					
11/14/11	11/14/14	$0.15	920000	300000	0	210000	1010000		
Weighted Average Exercise Price			0.140109						

Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the period-ended May 31, 2012 was $0.1401 per option (year-ended February 28, 2012: $0.1401)

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

The model inputs for options granted during the period ending November 30, 2011 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
06/19/09	06/19/12	$0.12	$0.10	2.20%	3	100%	0
07/19/09	07/15/12	$0.36	$0.36	2.20%	3	100%	0
04/21/10	04/21/13	$0.13	$0.15	2.75%	3	100%	0
11/14/11	11/14/14	$0.15	$0.15	1.30%	3	100%	0

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The weighted average share price at the date of exercise of options during the period-ended May 31, 2012 was $0.1445 per share (year-ended February 28, 2011: $0.1401).

b) Expenses Arising from Share-Based Payment Transactions

Total expenses arising from share-based payment transactions recognized during the period as part of employee benefit expense were $0.0 0 (period-ended May 31, 2012: $0.00).

13. Segmental Reporting

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

14. Events After The Reporting Period

Jiulian Resources Inc. is pleased to provide an update on exploration activity conducted on the Big Kidd Property in the Nicola Mining Division, British Columbia. Xstrata Canada Corp. (**"Xstrata"**), the optionee of the Property has conducted the work described below. Company President X. Charlie Cheng, reports the following: "We are very impressed by the style, scale and speed of Xstrata's exploration at the Big Kidd property which Jiulian optioned to Xstrata last October. Xstrata's technical team has been conducting exploration work in a very professional and efficient manner. The Company is looking forward to more progress in the aggressive exploration taking place at the Big Kidd property."

Exploration Activity in 2011

Subsequent to Optioning the Property in October 2011, Xstrata field teams completed Mobile Metal Ion ("**MMI**") geochemical sampling, conventional B-Horizon ("**B-Horizon**") geochemical sampling, and Induced Polarization ("**IP**") surveying before the end of the year. Xstrata also initiated a re-evaluation of historical drill core from the Big Kidd project. Specific work completed is as follows:

- 738 **MMI** samples and 738 **B-Horizon** samples were collected at 100m spaced intervals along 400m spaced grid lines, covering the entirety of the Property

- **38.2** line kilometers of 50m pole-dipole **IP** readings

Exploration Activity in 2012

In early 2012, the Xstrata team returned to the Property and completed additional IP surveying as follows:

- **50.7** line kilometers of 100m pole-dipole IP readings

Completion of the latest IP survey provides near total IP coverage of the Big Kidd Property, at 400m spaced line intervals. Pending further analysis and follow-up of targets identified during the soil geochemical and IP surveys, Xstrata is considering a diamond drilling program at Big Kidd in 2012, and has submitted an application for a Multi-Year Area Based ("**MYAB**") diamond drilling permit at Big Kidd which is currently pending regulatory approval.

15. First Time Adoption of International Financial Reporting Standards

The Company's financial statements for the year-ending February 29, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was March 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be February 29, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").
In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accord with pre-changeover Canadian GAAP. There are no immediate differences between the Company's Canadian GAAP financial statements and the new IFRS standards with the exception of the balance sheet where exploration assets were split between tangible and intangible and provisions were split from accounts payable and accrued liabilities. There were no differences between the statements of loss and comprehensive income and statements of cash flows.