

# **SARISSA RESOURCES INC.**

(An exploration stage company)

## **Consolidated Financial Statements** **FOR THE THREE MONTHS ENDED MARCH 31, 2011** **(Expressed in US Dollars)** **(Unaudited)**

**SARISSA RESOURCES INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in US Dollars)  
AS at March 31, 2011

	March 31, 2011 (unaudited)	December 31, 2010 (unaudited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 3,855	\$ 7,487
Accounts receivable	39,273	34,156
Prepaid expenses	-	8,000
	<u>43,128</u>	<u>49,643</u>
<b>Other Assets</b>		
Mineral property interests (note 3)	701,700	701,700
Capital assets (note 4)	2,019	2,275
	<u>703,719</u>	<u>703,975</u>
	<u>\$ 746,847</u>	<u>\$ 753,618</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 810,079	\$ 933,020
Loans and advances (note 5)	944,721	921,405
Future income tax (note 6)	197,798	201,348
Current portion of long term liabilities (note 7)	87,300	138,310
Notes payable (note 8)	62,500	62,500
	<u>2,102,398</u>	<u>2,256,583</u>
<b>Long Term Liabilities</b>		
Balance due under option agreements (note 8)	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
	<u>2,112,398</u>	<u>2,266,583</u>
<b>Shareholders' (Deficiency)</b>		
Common stock (note 10)	81,620	80,425
Additional Paid in Capital (note 10)	4,030,389	3,792,584
Cumulative foreign currency translation	(70,480)	(94,992)
Deficit	(5,407,080)	(5,290,982)
	<u>(1,365,551)</u>	<u>(1,512,965)</u>
	<u>\$ 746,847</u>	<u>\$ 753,618</u>
<b>Nature and continuance of operations (note 1)</b>		
<b>Subsequent Events and Commitments (note 11)</b>		

**On behalf of the Board:**

\_\_\_\_\_  
"Scott Keevil" Director                      \_\_\_\_\_ "Cam Cheriton" Director

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

SARISSA RESOURCES INC.

(Expressed in US Dollars)

THREE MONTH PERIOD ENDED MARCH 31

	March 31, 2011 (unaudited)	March 31, 2010 (unaudited)
<b>EXPENSES</b>		
Exploration expenditures	\$ 27,354	\$, 226,738
Amortization	256	237
Management fees	55,172	43,200
Consulting fees	7,356	114,152
Advertising & promotion	3,748	246
Occupancy costs	14,124	13,974
General and administration	6,912	9,252
Legal and audit	<u>1,676</u>	<u>-</u>
<b>Loss before other items</b>	(116,598)	(416,981)
<b>OTHER ITEMS</b>		
Foreign currency gain	<u>500</u>	<u>-</u>
<b>Net loss for the period</b>	(116,098)	(416,981)
<b>Deficit, beginning of year</b>	<u>(5,290,982)</u>	<u>(4,425,279)</u>
<b>Deficit, end of period</b>	<u>\$ (5,408,080)</u>	<u>\$ (4,842,260)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.0001)</u>	<u>\$ (0.0006)</u>
<b>Weighted average number of common shares outstanding</b>	<u>807,337,446</u>	<u>738,186,464</u>

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

**SARISSA RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in US Dollars)  
**THREE MONTHS ENDED MARCH 31**

	March 31, 2011 (unaudited)	March 31, 2010 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (116,098)	\$ (416,981)
Items not involving cash:		
Amortization	256	237
(Increase) decrease in accounts receivable	(5,117)	(78)
(Increase) decrease in prepaid expenses	8,000	-
Increase (decrease) in accounts payable and accrued liabilities	(122,941)	138,355
(Increase) decrease in future income taxes	(3,550)	360
	<u>(239,450)</u>	<u>(278,107)</u>
Net cash used in operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Addition) to mineral property interests	-	(86,500)
(Addition) to capital assets	-	-
	<u>-</u>	<u>-</u>
Net cash used in investing activities		(86,500)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase(decrease) in loans and advances	23,316	40,892
Increase (decrease) in balance of purchase price payable	(51,010)	28,935
Issuance of common stock	1,195	1,063
Increase in paid up capital	237,805	308,245
Increase(decrease) in foreign currency translation	24,512	(17,707)
	<u>235,818</u>	<u>361,428</u>
Net cash provided by financing activities		
<b>Increase (decrease) in cash for the period</b>	<b>(3,632)</b>	<b>(3,179)</b>
<b>Cash, beginning of year</b>	<b>7,487</b>	<b>21,150</b>
<b>Cash, end of period</b>	<b><u>\$ 3,855</u></b>	<b><u>\$ 17,971</u></b>

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

**SARISSA RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in US Dollars)  
March 31, 2011

---

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Sarissa Resources Inc. (the "Company") was incorporated in the State of Delaware on November 8, 2005 as Ecological Recycling Co. Inc. On November 14, 2005, the name was changed to Michigan Mining Investment Inc. On December 5, 2006 the Company changes its name to Sarissa Resources Inc. and changed jurisdiction from the State of Delaware to the State of Nevada.

The Company's principal business activity is the acquisition, exploration and development of mineral property interests in Canada. The Company is considered to be in the exploration stage and substantially all of the Company's efforts are devoted to financing and developing these property interests. There has been no determination whether the Company's interests in unproven mineral properties contain mineral reserves which are economically recoverable.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America, 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 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.

The Company currently earns no operating revenues. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing or maintaining continued support from its shareholders and creditors. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected. Current market conditions make the present environment for raising additional equity financing less favorable.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These unaudited consolidated financial statements of the Company have been prepared using accounting policies that are consistent with the policies used in preparing the Company's annual financial statements. These policies are listed below. Generally accepted accounting principles for interim financial statements do not conform in all respects to the disclosures required for annual financial statements, and accordingly, these consolidated financial statements should be read in conjunction with the annual consolidated financial statements.

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Nio-Star Corp. which was incorporated under the Laws of the Province of Ontario on November 19, 1996. All inter-company balances and transactions have been eliminated upon consolidation. 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

**Use of estimates**

The preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant accounts that require estimates relate to the impairment of mineral properties, valuation of agents' warrants and units granted as finder's fees, warrants issued as part of private placements and the valuation taken on future income tax assets, and stock-based compensation.

**SARISSA RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in US Dollars)  
March 31, 2011

---

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and cash deposited with financial institutions.

**Stock-based compensation**

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock based on its fair value over the period of vesting. Any consideration paid by the option holders to purchase shares is credited to capital stock. The services are expensed in the periods during which the services are rendered.

**Future income taxes**

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments based on SFAS No. 128. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period.

**SARISSA RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in US Dollars)  
March 31, 2011

---

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Mineral properties**

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

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

**Asset retirement obligations**

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company currently does not have any asset retirement obligations.

**Capital assets**

Capital assets are recorded at cost less accumulated amortization.

**Functional and Reporting Currency**

The Company's functional and reporting currency is US dollar. In accordance with EIC-130, "Translation Method When the Reporting Currency Differs from the Measurement Currency" the financial statements for all periods presented have been translated into the reporting currency using the current rate method. Under this method, the statements of operations and cash flows for each quarter have been translated into the reporting currency using the average exchange rates prevailing during each reporting period (2011 – 0.981; 2010 – 0.967) and all assets and liabilities have been translated using the exchange rate prevailing at the consolidated balance sheet dates (March 31, 2010 – 0.987; December 31, 2010 – 0.987).

Financial statements of the Company's foreign subsidiaries are translated into United States dollar equivalents using the temporal method whereby all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at rates which approximate those in effect on transaction dates. Exchange translation gains and losses arising from translation are included in the consolidated balance sheet.

**SARISSA RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in US Dollars)  
March 31, 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Flow-through common shares**

Resource expenditures for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders. When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of future income taxes in the statement of operations. Part XII.6 tax is calculated monthly on any unspent balance in the subsequent year beginning with January 1, 2009.

Under the terms of the flow-through share agreements, the Company is required to spend and renounce expenditures for exploration that are qualified CEE (Canadian Exploration Expenditures), as defined by the Income Tax Act (Canada).

**Recently Issued Accounting Pronouncements**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

**3. MINERAL PROPERTY INTERESTS**

	March 31, 2011	December 31, 2010
a) Nemegosenda Property, Chewett and Collins Township, Northern Ontario	\$ 483,500	\$ 483,500
b) Deadmoose Property, Shillington Township, Northern Ontario	162,200	162,200
b) Shiningtree Property, Northern Ontario	56,000	56,000
	<u>\$ 701,700</u>	<u>\$ 701,700</u>

a) The Nemegosenda Property comprises approximately 9,000 acres consisting of 1,800 patented, and an additional 7,200 contiguous acres staked in Northern Ontario.

i) The patented claims (the Rapski claims") were purchased in December 2007 for \$380,000 payable over a four year period and are subject to a 2% NSR. The Company has paid \$320,000 in respect of this option. The balance owing under the option of \$60,000(US Currency) is payable April 30, 2011(\$10,000 paid subsequent to year end). The Company can purchase 1.5% of the NSR at any time subject to a predetermined price.

ii) The Company also acquired 7 unpatented claims (the "Windsor Claims" on January 7, 2010 for \$90,000 payable over a two year period subject to a 2% NSR. The Company has paid \$60,000 in respect of this option. The balance owing under the option of \$69,090(US Currency) is payable December 31, 2010. The Company can purchase 1.0% of the NSR for \$1,000,000(Cd'n \$).

b) The Company owns a 100% interest in the Deadmoose Property located in Shillington Township, Northern Ontario. The Shiningtree Property consists 7 staked claims in Asquith Township, Northern Ontario. The claims were purchased during 2010 for \$56,000 of which \$20,000 is payable in two instalments of \$10,000 (Cd'n) on March 26, 2011 and March 26, 2012. The claims are subject to a 2% "NPI" (Net Profits Interest"). The Company can purchase 1.0% of the interest for \$1,000,000.



**SARISSA RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in US Dollars)  
March 31, 2011

**3. MINERAL PROPERTY INTERESTS (continued):**

**Title to mineral property interests**

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

**4. CAPITAL ASSETS**

	March 31, 2011	December 31, 2010
Automobiles	\$ 5,125	\$ 5,125
Less: accumulated amortization	(3,107)	(2,850)
	<u>\$ 2,018</u>	<u>\$ 2,275</u>

**5. LOANS AND ADVANCES**

Loans and advances are interest free and have no fixed terms of repayment.

**6. FUTURE INCOME TAXES**

During fiscal 2010 and 2009 the Company issued common shares on a flow-through basis for proceeds of (US) \$364,000, (Cd'n) \$386,690 in 2010 and (US) \$618,000 (Cd'n)\$657,143 in 2009. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through share participants. The Company has made sufficient expenditures to satisfy the agreements. (See also note 2)

The Company has provided a reserve for the taxes which may be payable on Canadian Exploration Expenditures which were renounced at the rate of 31% being \$201,348 at December 31, 2010 and \$116,640 at December 31, 2009... The reserve provided at December 31, 2009 was \$116,640 for which tax returns were filed in February 2010. The filing resulting of a reduction in future income taxes and is included in the statement of operations and deficit.

**7. NOTES PAYABLE**

Notes Payable are interest free and has no fixed terms of repayment. In August 9, 2008 the Company issued "Subordinated Notes" for (US) \$62,500. These notes entitled the holder to receive a total of 3,125,000 restricted shares and a warrant to purchase a further 3,125,000 restricted shares at \$0.02 for a two year period. . During 2010 1,875,000 warrants were exercised resulting in proceeds of \$37,500. The balance of the warrants of 1,250,000 expires on October 31, 2011.

**SARISSA RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in US Dollars)  
March 31, 2011

**8. BALANCE DUE UNDER OPTION AGREEMENTS**

	March 31, 2011	December 31, 2010
Rapski Claims – see note 3(a)(i)	\$ 48,500	\$ 59,220
Windsor Claims – see note 3(a)(ii)	38,800	60,990
O’Conner Claims – see note 3(b)	10,000	20,000
Balance of Purchase Price Payable	<u>\$ 97,300</u>	<u>\$ 148,310</u>
Consists of:		
Amount due within one year	\$ 87,300	\$ 147,315
Long term portion	10,000	20,000
Balance of Purchase Price Payable	<u>\$ 97,300</u>	<u>\$ 148,310</u>

**9. RELATED PARTY TRANSACTIONS**

a) Included in accounts payable and accrued liabilities is \$224,234 (2010 – \$184,683) due to the president of the Company and a Company controlled by the President. In addition \$nil (2010 – \$8,500) was paid to a Company controlled by the president as a reimbursement of expenses paid on behalf of the Company.

b) During the first quarter management fees of \$36,788 (2010-\$28,800) were paid or accrued to the President of the Company.

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.

**SARISSA RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in US Dollars)  
March 31, 2011

**10. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

The authorized capital stock of the Company consists of 850,000,000 shares of common stock, par value \$0.0001 per share, of which there are currently 811, 000,000 issued and outstanding.	Number of Shares	Common Stock Value	Additional Paid in Capital
Balance, December 31, 2008	<u>737,241,058</u>	<u>73,412</u>	<u>1,855,327</u>
<u>Issued in 2009:</u>			
Issued for cash	20,490,136	2,048	479,298
Issued for options	1,709,136	172	34,011
Issued for property	750,000	75	28,425
Issued for services	8,932,500	893	174,421
Benefit of Flo-Trough Financing (note 6)	-	-	(113,640)
Stock based compensation	-	-	181,832
Total issued in 2009:	<u>31,881,772</u>	<u>3,188</u>	<u>784,347</u>
Balance, December 31, 2009	<u>769,122,830</u>	<u>\$ 76,600</u>	<u>\$ 2,639,674</u>
<u>Issued in 2010:</u>			
Issued for warrants	1,875,000	187	37,312
Issued for cash	28,494,414	2,850	981,914
Issued for services	7,885,202	788	335,518
Benefit of Flo-Through Financing (note 6)	-	-	(201,834)
Total issued in 2010:	<u>38,254,616</u>	<u>3,825</u>	<u>1,152,910</u>
Balance, December 31, 2010	<u>807,377,446</u>	<u>\$ 80,425</u>	<u>\$ 3,792,584</u>
<u>Issued in 2011:</u>			
Issued for private placements	5,700,000	570	113,430
Issued for services	<u>6,250,000</u>	<u>625</u>	<u>124,375</u>
Total Issued in 2011:	<u>11,950,000</u>	<u>1,195</u>	<u>237,805</u>
Balance, March 31, 2011	<u>819,327,446</u>	<u>\$ 81,620</u>	<u>\$ 4,030,389</u>

**Stock options**

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 an applicable discount, as calculated on the date of the grant. The options can be granted for a maximum term of five years and vest at the discretion of the board.

On February 23, 2010: 1,709,136 options were exercised leaving a balance of 43, 956,728 outstanding which expired on February 11, 2011. No additional options have been granted to April 6, 2011.

**12. COMPARATIVE FIGURES**

Certain figures shown for comparative purposes have been reclassified to conform with the basis used during the current period.

**SARISSA RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in US Dollars)  
March 31, 2011

---

**13. SUBSEQUENT EVENTS**

\$90,000 has been paid in respect of obligations its mining claims purchased under option agreements referred to in note 3 and 7. The registered security interest against the property on the “Rapski” claims has been paid and discharged.

On February 9, 2011 the Company completed a private placement and issued 5,700,000 common shares at a price of \$0.02 per share and received \$114,000(US Currency). The money was transferred to Nio-Star Corp.

On April 8, 2011 the Company completed a private placement and issued 7,700,000 common shares at a price of \$0.02 per share and received \$154,000(US Currency). The money was transferred to Nio-Star Corp.

On April 21, 2011 the Company completed a private placement and issued 5,500,000 common shares at a price of \$0.02 per share and received \$100,000(US Currency). The money was transferred to Nio-Star Corp.

On June 1, 2011, a debtor to the Company agreed to convert \$175,000(US\$) of Loans and advances in exchange for the Company assigning its right to acquire a 1.5% NSR (net smelter return royalty) on the Rapski purchase agreement (see also 3(a)).

On June 1, 2011, the Company’s 100% owned subsidiary entered into two business development services agreement which provide for an annual fixed fee of \$300,000(Cdn) and \$240,000.(Cdn) The agreements also provide for reimbursements of all reasonable expenses related to the development and management of the Nemegosenda Niobium Property.