ASIA NOW RESOURCES CORP.

(AN EXPLORATION STAGE COMPANY)

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Three and Six Months ended June 30, 2011
(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Asia Now Resources Corp. [the "Company"] are the responsibility of the management and Board of Directors of the Company.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)
Kaihui Yang
President

(signed)
Gaetan Chabot
Chief Financial Officer

August 23, 2011
Toronto, Canada

ASIA NOW RESOURCES CORP.
(AN EXPLORATION STAGE COMPANY)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	June 30, 2011	December 31, 2010
ASSETS		
Current		
Cash and cash equivalents	**$ 11,042,474**	$ 14,252,900
Prepaid and sundry receivables (Note 6)	**136,227**	91,295
	11,178,701	14,344,195
Mineral properties and deferred exploration expenditures (Note 7)	**13,234,329**	10,187,841
Capital assets (Note 8)	**148,263**	61,719
	$ 24,561,293	$ 24,593,755
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	**$ 1,058,463**	$ 506,425
SHAREHOLDERS' EQUITY		
Share capital (Note 10(b))	**30,369,153**	30,369,153
Reserves	**3,073,132**	2,797,671
Deficit	**(9,939,455)**	(9,079,494)
	23,502,830	24,087,330
	$ 24,561,293	$ 24,593,755

Nature of Operations and Going Concern (Note 1)
Commitment (Note 16)

APPROVED ON BEHALF OF THE BOARD:

Signed "Kaihui Yang", Director

Signed "Gordon McCreary", Director

ASIA NOW RESOURCES CORP.
(AN EXPLORATION STAGE COMPANY)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF (LOSS) INCOME
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010 (Note 17)	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010 (Note 17)
Expenses				
Administrative expenses (Note 13)	**324,110**	212,428	**701,120**	400,799
Net loss before the following	**(324,110)**	(212,428)	**(701,120)**	(400,799)
Other Income	**-**	65,659	**-**	65,659
Foreign exchange gain (loss)	**39,215**	3,259	**(141,957)**	(13,033)
Amortization	**(8,478)**	(6,215)	**(16,884)**	(12,412)
Net loss and comprehensive loss for the period	**(293,373)**	**(149,725)**	**$ (859,961)**	**$ (360,585)**
Basic and fully diluted loss per share	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding	**111,010,798**	65,768,798	**111,010,798**	65,768,798

ASIA NOW RESOURCES CORP.
(AN EXPLORATION STAGE COMPANY)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Six Months Ended June 30, 2011	2010 (Note 17)
CASH (USED IN) PROVIDED BY		
OPERATING ACTIVITIES		
Net loss for the period	**$ (859,961)**	$ (360,585)
Adjustment for:		
Amortization	**16,884**	12,412
Stock-based compensation (Note 11)	**183,445**	85,756
Net change in non-cash working capital (Note 12)	**507,106**	(286,053)
	(152,526)	(548,470)
INVESTING ACTIVITIES		
Mineral properties and deferred exploration expenditures	**(2,954,472)**	(793,237)
Purchase of capital assets	**(103,428)**	(2,709)
	(3,057,900)	(795,946)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(3,210,426)**	(1,344,416)
CASH AND CASH EQUIVALENTS, beginning of period	**14,252,900**	3,469,089
CASH AND CASH EQUIVALENTS, end of period	**$ 11,042,474**	$ 2,124,673
Cash and cash equivalents consist of:		
Cash	**$ 10,901,474**	$ 744,673
Short-term investments	**141,000**	1,380,000
	$ 11,042,474	$ 2,124,673
NON-CASH INVESTING ACTIVITIES		
Stock-based option compensation capitalized to mineral properties and exploration expenditures	**$ 92,015**	$ 25,900

ASIA NOW RESOURCES CORP.
(AN EXPLORATION STAGE COMPANY)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Shares issued and subscribed		Reserves		
	# of Shares	Share Value	Equity settled share-based payments Surplus	Deficit	Total
Balance at January 1, 2010	**65,768,798**	**$16,921,310**	**$ 2,640,871**	**$ (8,216,958)**	**$11,345,223**
Value of stock options previously granted	-	-	108,456	-	108,456
Stock option modification	-	-	3,200	-	3,200
Loss for the period	-	-	-	(360,585)	(360,585)
Balance at June 30, 2010	**65,768,798**	**$16,921,310**	**$ 2,752,527**	**$ (8,577,543)**	**$11,096,294**
Value of stock options previously granted	-	-	45,144	-	45,144
Stock option modification	-	-	-	-	-
Shares issued on private placement, net of issue costs	45,242,000	13,447,843	-	-	13,447,843
Loss for the period	-	-	-	(501,951)	(501,951)
Balance at December 31, 2010	**111,010,798**	**$30,369,153**	**$ 2,797,671**	**$ (9,079,494)**	**$24,087,330**
Value of stock options previously granted (Note 11)	-	-	275,461	-	275,461
Loss for the period	-	-	-	(859,961)	(859,961)
Balance at June 30, 2011	**111,010,798**	**$30,369,153**	**$ 3,073,132**	**$ (9,939,455)**	**$23,502,830**

1. NATURE OF OPERATIONS AND GOING CONCERN

Asia Now Resources Corp. (the "Company" or "Asia Now"), incorporated in the Province of Ontario, is engaged principally in the acquisition and exploration of mineral properties in China. The Company's registered office is located at 330 Bay street, Suite 820, Toronto, Ontario, M5H 2S8. The Company maintains several operating offices in China.

Asia Now is at an early stage of development and as is common with many exploration companies, it raises financing for its exploration and acquisition activities. The Company had a working capital balance of $10,120,238 at June 30, 2011 (December 31, 2010 - $13,837,770). At June 30, 2011, the Company had sufficient funds to finance its current plans for the next twelve months. Further financing will be required for operations beyond the next 12 months. While there is no assurance these funds can be raised, the Company believes such financing should be available as required. The Company's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditure, and expenditures may be adjusted accordingly.

The Company's financial year ends on December 31. The unaudited condensed interim consolidated financial statements were authorized by the Audit Committee of the Board of Directors on August 23, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting [“IAS 34“]. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board [“IASB”] and interpretations of the International Financial Reporting Interpretations Committee [“IFRIC”] and should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2010 and the Company's condensed consolidated interim financial statements as at and for the three months ended March 31, 2011.

The accounting policies have been applied consistently to all periods presented in these unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of IFRS standards that are expected to be effective or available for early adoption by the Company on December 31, 2011, the Company's first annual reporting date under IFRS. The Company has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ending December 31, 2011.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2010 annual financial statements and in consideration of the IFRS transition disclosures included in note 17 to these financial statements and the additional annual disclosures required under IFRS included in the Company's condensed consolidated interim financial statements as at and for the three months ended March 31, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[b] Recent accounting standards

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2010 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

(ii) IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

(iii) IFRS 11 Joint arrangements ("IFRS 11") was issued by the IASB in May 2011 and will replace IAS 31 Interests in Joint ventures and SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is effective for annual period beginning on or after January 1, 2013.

(iv) IFRS 12 'Disclosure of Interests in Other Entities' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

(v) IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers its capital to be equity, comprising share capital, contributed surplus and deficit which at June 30, 2011 totalled $23,502,830 (December 31, 2010 - $24,087,330). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, and acquire or dispose of assets to adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including but not limited to source and use of capital and general industry conditions.

The Company expects its current capital resources will be sufficient to carry out its exploration, development and investment plans and operations through fiscal 2011.

The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended June 30, 2011 and June 30, 2010 and year ended December 31, 2010.

4. PROPERTY AND FINANCIAL RISK FACTORS

The Company is exposed to property risk and a variety of financial risks: credit risk, liquidity risk and market risk [including interest rate and foreign exchange rate risks] as explained below.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) Property risk

The Company's major mineral properties are Ma Touwan, Beiya and Habo. Unless the Company acquires or develops additional material properties, the Company will be mainly dependant upon these three projects. If no additional major mineral exploration properties are acquired by the Company, any adverse development affecting these three projects would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk).

4. PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(b) Financial risk (continued)

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be minimal. Sundry receivables consist of harmonized sales tax due from the Federal Government of Canada, receivable from employees and accrued interest. Sundry receivables of $50,805 are in good standing as of June 30, 2011 and represent the maximum credit exposure. Management believes that the credit risk concentration with respect to sundry receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at June 30, 2011, the Company had cash and cash equivalents of $11,042,474 (December 31, 2010 - $14,252,900) to settle current liabilities of $1,058,463 (December 31, 2010 - $506,425). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(i) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is 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 creditworthiness of its banks.

(ii) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars, U.S. dollars and Chinese renminbi ("RMB"). The Company funds major exploration expenses in China. The Company maintains Canadian dollar and Chinese RMB bank accounts in China. Management does not hedge its foreign exchange risk.

(iii) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, copper, silver, lead, zinc and molybdenum to determine the appropriate course of action to be taken by the Company.

4. PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(c) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a six month period:

Cash equivalents include deposits at call which are at variable rates. As at June 30, 2011, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the period ended June 30, 2011 would have been approximately $48,420 higher/lower, as a result of lower/higher interest income from cash equivalents. Similarly, as at June 30, 2011, reported shareholders' equity would have been approximately $48,420 lower/higher as a result of lower/higher interest income from cash equivalents due to a 1% decrease/increase in interest rates.

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents, sundry receivables and accounts payable and accrued liabilities that are denominated in Chinese RMB. As at June 30, 2011, had the Chinese RMB dollar weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, the Company's loss for the period ended June 30, 2011 would have been approximately $423,818 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at June 30, 2011, reported shareholders' equity would have been approximately $423,818 lower/higher had the Chinese RMB dollar weakened/strengthened by 5% as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold, copper, silver, lead, zinc and molybdenum. Gold, copper, silver, lead, zinc and molybdenum prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of gold, copper, silver, lead, zinc and molybdenum may be produced in the future, a profitable market will exist for them. As of June 30, 2011, the Company was not a gold, copper, silver, lead, zinc and molybdenum producer. As a result, gold, copper, silver, lead, zinc and molybdenum price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(EXPRESSED IN CANADIAN DOLLARS)

5. Categories of financial instruments

	As at June 30, 2011	As at December 31, 2010
Financial assets:		
Loans and receivables		
Cash and cash equivalents	$ 11,042,474	$ 14,252,900
Prepaid and sundry receivables	$ 136,227	$ 91,295
Financial liabilities:		
Other financial liabilities		
Accounts payable and other liabilities	$ 1,058,463	$ 506,425

As of June 30, 2011 and December 31, 2010, the fair value of all the Corporation's financial instruments approximates the carrying value, due to their short-term nature.

6. PREPAID AND SUNDRY RECEIVABLES

	As at June 30, 2011	As at December 31, 2010
Accounts receivables	**$ 50,805**	$ 49,155
Prepaid expenses	**85,422**	42,140
	$ 136,227	$ 91,295

7. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

	Ma Touwan	Beiya	Habo	Total
Balance, January 1, 2010	$ 3,246,680	$ 2,129,371	$ 3,089,087	$ 8,465,138
Additions	388,691	299,652	130,794	819,137
Balance, June 30, 2010	$ 3,635,371	$ 2,429,023	$ 3,219,881	$ 9,284,275
Additions	680,258	112,692	110,616	903,566
Balance, December 31, 2010	$ 4,315,629	$ 2,541,715	$ 3,330,497	$ 10,187,841
Additions	2,765,443	172,576	108,469	3,046,488
Balance, June 30, 2011	$ 7,081,072	$ 2,714,291	$ 3,438,966	$ 13,234,329

(EXPRESSED IN CANADIAN DOLLARS)

8. CAPITAL ASSETS

COST	Office equipment and leaseholds	Vehicles and exploration equipment	Total
Balance, January 1, 2010	$ 38,442	$ 103,205	$ 141,647
Additions	2,248	461	2,709
Balance, June 30, 2010	$ 40,690	$ 103,666	$ 144,356
Additions	5,077	94	5,171
Balance, December 31, 2010	$ 45,767	$ 103,760	$ 149,527
Additions	9,156	94,273	103,429
Balance, June 30, 2011	$ 54,923	$ 198,033	$ 252,956

ACCUMULATED DEPRECIATION	Office equipment and leaseholds	Vehicles and exploration equipment	Total
Balance, January 1, 2010	$ 27,050	$ 36,006	$ 63,056
Depreciation for the period	1,678	10,734	12,412
Balance, June 30, 2010	$ 28,728	$ 46,740	$ 75,468
Depreciation for the period	2,914	9,426	12,340
Balance, December 31, 2010	$ 31,642	$ 56,166	$ 87,808
Depreciation for the period	1,403	15,482	16,885
Balance, June 30, 2011	$ 33,045	$ 71,648	$ 104,693

CARRYING AMOUNT	Office equipment and leaseholds	Vehicles and exploration equipment	Total
Balance, January 1, 2010	$ 11,392	$ 67,199	$ 78,591
Balance, June 30, 2010	$ 11,962	$ 56,926	$ 68,888
Balance, December 31, 2010	$ 14,125	$ 47,594	$ 61,719
Balance, June 30, 2011	$ 21,878	$ 126,385	$ 148,263

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at June 30, 2011	**As at December 31, 2010**
Trade payables	**$ 1,028,263**	$ 440,712
Accrued liabilities	**30,200**	65,713
	$ 1,058,463	$ 506,425

(EXPRESSED IN CANADIAN DOLLARS)

10. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares

(b) Common shares issued

	Number of Shares	Amount
Balance, December 31, 2010 and June 30, 2011	**111,010,798**	**$ 30,369,153**

11. STOCK OPTIONS

The Company implemented a stock option plan available to employees, directors, senior officers and consultants of the Company and any of its subsidiaries. The participants in the plan may be granted options to purchase common shares of the Company. The total number of shares which may be reserved for issuance under the stock option plan may not exceed 11,100,000 common shares. The maximum number of shares which may be reserved for issuance to any one person in any 12 month period under the plan shall be 5% of the shares issued and outstanding at the time of the grant.

The following table reflects the continuity of stock options for the six months ended June 30, 2011:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2010	5,100,000	$0.39
Options granted (1)(2)	2,075,000	0.30
Cancelled/Expired	(1,050,000)	0.33
Balance, June 30, 2011	**6,125,000**	**$0.38**

(1) On February 17, 2011, 3,475,000 stock options were issued to directors, officers, employees and consultants of the Company. 1,500,000 of these options were cancelled since the directors and grantees had declined acceptance, therefore, the Company did not calculate any stock option expense for these cancelled options. The stock options can be exercised for $0.30 per share and expire on February 17, 2016. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield, 0%, risk-free interest rate, 2.51%, volatility, 118.40% and an expected life of 5 years. The value attributed to the 1,975,000 stock options was $399,544.

(2) On March 24, 2011, 100,000 stock options were issued to directors and officers of the Company. The stock options can be exercised for $0.30 per share and expire on March 24, 2016. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield, 0%, risk-free interest rate, 2.29%, volatility, 117.94% and an expected life of 5 years. The value attributed to the 100,000 stock options was $24,700.

For the three and six months ended June 30, 2011, stock option compensation of $32,797 and $92,015 respectively (Three and six months ended June 30, 2010 - $9,250 and $25,900 respectively) was charged to mineral properties and deferred exploration expenditures, $23,427 and $65,610 respectively (Three and six months ended June 30, 2010 - $6,359 and $17,806 respectively) was charged to management and consulting fees, $26,941 and $79,347 respectively (Three and six months ended June 30, 2010 - $23,125 and $64,750 respectively) was charged to directors' stock option expense and $14,056 and $38,488 respectively (Three and six months ended June 30, 2010 - $3,200) was charged to Investor relations fees for stock options granted in previous years and current period that vested during the current period.

(EXPRESSED IN CANADIAN DOLLARS)

11. STOCK OPTIONS (Continued)

Details of the stock options outstanding at June 30, 2011 are as follows:

Fair Value Exercisable Options	Weighted Average Remaining Contractual Life (years)	Exercisable Options	Number of Options	Exercise Price	Expiry Date
$ 37,600	0.83	200,000	200,000	$ 0.33	April 30, 2012
348,450	1.09	1,150,000	1,150,000	0.75	August 1, 2012
37,350	1.51	50,000	50,000	0.75	January 3, 2013
283,311	3.20	2,650,000	2,650,000	0.25	September 10, 2014
99,886	4.64	493,750	1,975,000	0.30	February 17, 2016
6,175	4.74	25,000	100,000	0.30	March 24, 2016
$ 812,772	**3.17**	**4,568,750**	**6,125,000**		

12. CHANGE IN NON-CASH WORKING CAPITAL

	June 30, 2011	June 30, 2010
Prepaid and sundry receivables	**$ (44,932)**	$ (38,289)
Accounts payable and accrued liabilities	**552,038**	(247,764)
	$ 507,106	$ (286,053)

13. ADMINISTRATIVE EXPENSES

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Management and consulting fees (Note 11 and 14)	**$ 68,427**	$ 45,359	**$ 165,610**	$ 96,181
General and administration cost (1)	**60,027**	64,127	**107,234**	104,657
China office expenses	**97,176**	47,824	**157,008**	80,022
Investor relations (Note 11)	**42,861**	16,984	**78,274**	26,385
Listing and transfer agent fees	**9,325**	2,449	**18,734**	9,994
Directors fees and expenses	**19,353**	12,560	**94,913**	18,810
Directors stock-based compensation (Note 11)	**26,941**	23,125	**79,347**	64,750
	324,110	212,428	**$ 701,120**	$ 400,799

(1) General and administration cost was offset by $22,007 and $41,043 respectively of interest income for the three and six months ended June 30, 2011 (($3,662) and $40, respectively of interest (expense) income for the three and six months ended June 30, 2010).

(EXPRESSED IN CANADIAN DOLLARS)

14. RELATED PARTY TRANSACTIONS

(a) The Company incurred the following related party transactions during the period ended June 30, 2011 and 2010:

- $96,000 (June 30, 2010 - $90,000) was accrued or paid to a company controlled by the President.
- $46,000 (June 30 2010 - $27,000) was accrued or paid to a company controlled by the Chief Financial Officer.
- $50,752 (June 30, 2010 - $18,810) in director fees were paid or accrued.
- Effective June 25, 2009, a partner of a legal firm became an officer of the Company. Fees for legal services provided by the firm amounted to $34,082 (June 30, 2010 - 36,847) was included in legal fees and share issue costs.
- The President, in addition to amounts listed above, was paid $9,000 during the period ended June 30, 2011 (June 30, 2010 - $9,100) by the joint venture companies in China to act as their general manager.

These transactions are in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the parties.

Accounts payable and accrued liabilities as at June 30, 2011 include $24,109 (December 31, 2010 - $Nil) due to directors and $Nil (December 31, 2010 - $32,110) due to the legal firm where a partner of the legal firm is an officer of the Company.

(b) Remuneration of Directors and key management personnel of the Corporation was as follows:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Salaries and benefits [1]	**$ 86,866**	$ 75,560	**$ 201,752**	$ 144,910
Share option based payments	**$ 50,369**	$ 29,484	**$ 144,958**	$ 82,556

[1] Salaries and benefits include director fees. Directors are entitled to director fees and stock options for their services as approved by the Board.

(EXPRESSED IN CANADIAN DOLLARS)

15. SEGMENT DISCLOSURE

June 30, 2011	**Canada**	**China**	**Consolidated**
Current assets	$ 330,511	$ 10,848,190	$ 11,178,701
Mineral properties and deferred exploration expenditures	-	13,234,329	13,234,329
Capital assets	1,897	146,366	148,263
	$ 332,408	$ 24,228,885	$ 24,561,293

December 31, 2010	**Canada**	**China**	**Consolidated**
Current assets	$ 557,219	$ 13,786,976	$ 14,344,195
Mineral properties and deferred exploration expenditures	-	10,187,841	10,187,841
Capital assets	2,231	59,488	61,719
	$ 559,450	$ 24,034,305	$ 24,593,755

16. COMMITMENT

Joint Venture

The Company is committed to fund its joint venture company, Yunnan Now Mineral Exploration Company Limited, US$2,960,500 as at June 30, 2011.

17. CONVERSION TO IFRS

(i) Overview

As stated in Significant Accounting Policies note 2, these are the Company's second unaudited condensed interim consolidated financial statements prepared in accordance with IAS 34, using accounting policies consistent with IFRS.

The accounting policies described in note 2 have been applied in preparing the financial statements for the three and six months ended June 30, 2011 and in preparation of an opening IFRS balance sheet at January 1, 2010 (the Company's Transition Date).

(ii) First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's Transition Date.

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- To apply the transition provisions of IFRIC 4 Determining whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date.
- To apply IAS 23 Borrowing Costs prospectively from the Transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

17. CONVERSION TO IFRS (continued)

(iii) Changes to accounting policies

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available on December 31, 2011, the Company's first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

(a) Impairment of (non-financial) assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There was no impact on the unaudited condensed consolidated interim financial statements.

(b) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the unaudited condensed consolidated interim financial statements.

(c) Presentation

Certain amounts on the unaudited condensed interim statement of financial position, statement of loss, statement of comprehensive loss and statement of cash flows have been reclassified to conform to the presentation adopted under IFRS.

(EXPRESSED IN CANADIAN DOLLARS)

17. CONVERSION TO IFRS (continued)

(iv) Reconciliation between IFRS and Canadian GAAP

The June 30, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	June 30, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
ASSETS			
Current assets			
Cash and cash equivalents	$ 2,124,673	$ -	**$ 2,124,673**
Prepaid and sundry receivables	111,340	-	**111,340**
	2,236,013	-	**2,236,013**
Mineral properties and deferred exploration expenditures	9,284,275	-	**9,284,275**
Capital assets	68,888	-	**68,888**
	$ 11,589,176	$ -	**$ 11,589,176**
EQUITY AND LIABILITIES			
Current liabilities			
Amounts payable and other liabilities	$ 492,882	$ -	**$ 492,882**
Shareholders' equity			
Share capital	16,921,310	-	**16,921,310**
Reserves	2,752,527	-	**2,752,527**
Deficit	(8,577,543)	-	**(8,577,543)**
Total shareholders' equity	11,096,294	-	**11,096,294**
Total shareholder's equity and liabilities	$ 11,589,176	$ -	**$ 11,589,176**

(EXPRESSED IN CANADIAN DOLLARS)

17. CONVERSION TO IFRS (continued)

(iv) Reconciliation between IFRS and Canadian GAAP (continued)

The three months ended June 30, 2010 Canadian GAAP statement of loss and comprehensive loss has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES:			
Administrative expenses	$ 212,428	$ -	**$ 212,428**
Loss and comprehensive loss before other income [expense]	(212,428)	-	**(212,428)**
Other income	65,659	-	**65,659**
Gain (Loss) on foreign exchange	3,259	-	**3,259**
Amortization	(6,215)	-	**(6,215)**
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (149,725)	$ -	**$ (149,725)**

The six months ended June 30, 2010 Canadian GAAP statement of loss and comprehensive loss has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES:			
Administrative expenses	$ 400,799	$ -	**$ 400,799**
Loss and comprehensive loss before other income [expense]	(400,799)	-	**(400,799)**
Other income	65,659	-	**65,659**
Gain (Loss) on foreign exchange	(13,033)	-	**(13,033)**
Amortization	(12,412)	-	**(12,412)**
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (360,585)	$ -	**$ (360,585)**

(EXPRESSED IN CANADIAN DOLLARS)

17. CONVERSION TO IFRS (continued)

(iv) Reconciliation between IFRS and Canadian GAAP (continued)

The six months ended June 30, 2010 Canadian GAAP statement of cash flows has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the period	$ (360,585)	$ -	**$ (360,585)**
Adjustment for:			
Amortization	12,412	-	**12,412**
Stock-based compensation	85,756	-	**85,756**
Net change in non-cash working capital	(286,053)	-	**(286,053)**
	(548,470)	-	**(548,470)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Mineral properties and deferred exploration expenditures	(793,237)	-	**(793,237)**
Purchase of capital assets	(2,709)	-	**(2,709)**
	(795,946)	-	**(795,946)**
INCREASE (DECREASE) IN CASH	(1,344,416)	-	**(1,344,416)**
CASH			
Beginning of the period	3,469,089	-	**3,469,089**
End of the period	$ 2,124,673	$ -	**$ 2,124,673**

(EXPRESSED IN CANADIAN DOLLARS)

17. CONVERSION TO IFRS (continued)

(v) Reconciliation of comprehensive loss and equity

(a) Comprehensive loss

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Comprehensive loss under Canadian GAAP	$ 149,725	$ 360,585
Adjustments for differing accounting treatments	-	-
Comprehensive loss under IFRS	$ 149,725	$ 360,585

(b) Equity

	June 30, 2010
Total shareholder's equity under Canadian GAAP	$ 11,096,294
Adjustments for differing accounting treatments	-
Total shareholders' equity under IFRS	$ 11,096,294

ASIA NOW
RESOURCES CORP.

Management Discussion and Analysis

Unaudited Condensed Interim Consolidated Financial Statements

For the three and six months ended: June 30, 2011

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ASIA NOW RESOURCES CORP.

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2011

This Management Discussion and Analysis ("MD&A") of Asia Now Resources Corp. ("Asia Now" or the "Company") is dated August 23, 2011, and provides an analysis of the Company's performance and financial condition for the three and six months ended June 30, 2011 as well as an analysis of future prospects. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee, comprised of independent directors. The audit committee reviews this disclosure and recommends its approval by the Board of Directors.

This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2010, as well as the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2011 and the unaudited condensed consolidation interim financial statements for the three and six months ended June 30, 2011, including the related note disclosure. All amounts are in Canadian dollars unless otherwise specified. The financial statements and additional information, including the Company's Certifications of Annual and Interim Filings and press releases, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

This MD&A may contain forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out below under "Risk Factors". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

OVERALL PERFORMANCE

Principal Business and Corporate History

The principal business of Asia Now is the acquisition, exploration and development of mineral resources. The Company's name was changed from Millennium Minerals Corp. to Asia Now Resources Limited in June of 2002.

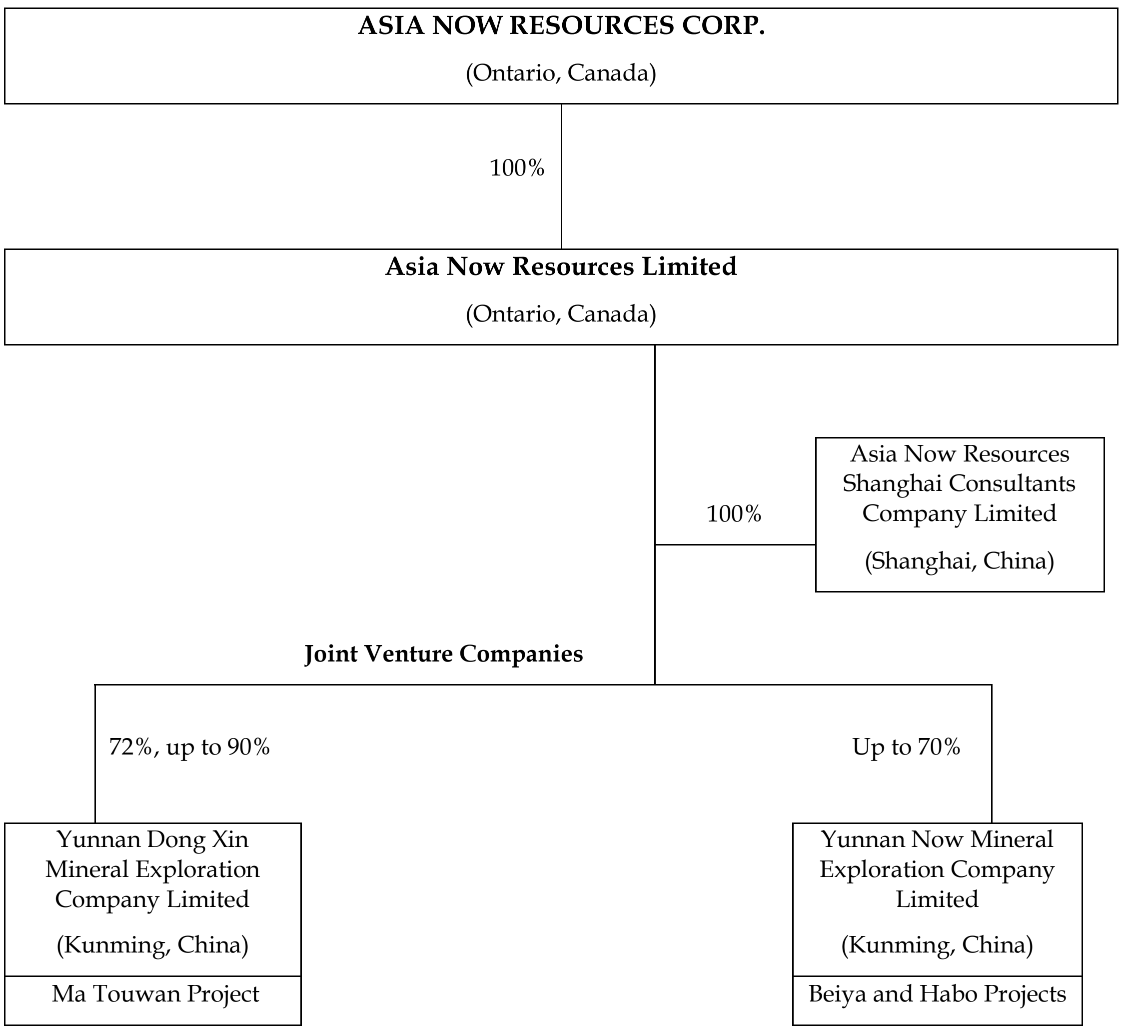
On February 27, 2006, Asia Now Resources Limited closed a business combination with Phoenician Holdings Corp ("PHC") (the "Amalgamation"), a capital pool company listed on the TSX Venture Exchange and a predecessor company of Asia Now. On closing, Asia Now Resources Limited amalgamated with a wholly-owned subsidiary of PHC; PHC changed its name to Asia Now Resources Corp. and the Company's shares resumed trading on the TSX Venture Exchange under the symbol "NOW".

The Company conducts its business through two sino-foreign cooperative joint venture limited liability companies (each a "CJV") established with two state-owned exploration enterprises in the People's Republic of China ("China"): Yunnan Dong Xin Mineral Exploration Company Limited ("Yunnan Dong Xin") being the CJV with Yunnan Non-Ferrous Resources Group Company Limited ("YNRG") and Yunnan Now Mineral Exploration Company Limited ("Yunnan Now") being the CJV with Yunnan Geology and Mineral Resource Company Limited ("YGMR", now changing its name to "Yunnan Gold Mines Group Corporation Limited".

Asia Now Resources Shanghai Consultants Company Limited ("Asia Now Consultants"), a wholly-owned subsidiary of the Company, was formed in 2004 to provide management and technical services to the Company's CJV companies in China and to carry out the investigation of new potential projects and the setup of new CJV companies in various provinces.

The consolidated financial statements include the accounts of Asia Now Resources Corp. (the "Company") and its wholly owned subsidiaries Asia Now Resources Limited and Asia Now Resources Shanghai

Consultants Company Limited. On consolidation, all intercompany transactions and balances have been eliminated.
Although the various joint ventures operate through limited liability companies, they do not issue shares. Each party involved in these companies determines its profit and risk based upon their relative interest in the joint venture. This interest may vary over time as agreed by the parties. The consolidated financial statements of Asia Now Resources Corp. reflect only the expenditures made by the Company for its proportionate interest in such joint ventures.



Adoption of International Financial Reporting Standards ("IFRS")

On January 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS"). The unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2011, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and using accounting policies consistent with IFRS. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Readers should refer to the *"Changes in Accounting Policies"* section below for a discussion of IFRS and its effect on the Company's financial presentation.

The comparative financial information of 2010 has been restated to conform to IFRS, unless otherwise stated.

Recent Project Developments

The Company's exploration has been described by the Ministry of Land and Resources as a model for successful joint ventures in mineral exploration in China. The Company's two current exploration projects are the Beiya Project, which consists of the Ma Touwan properties and the Beiya properties, and the Habo Project. For a detailed review of exploration activity on the Company's projects, refer to *"Resource Properties"*.

Beiya （Including Ma Touwan and Beiya） gold properties

As a result of work carried out on the Asia Now joint venture areas and on the adjacent Beiya gold mine, the Beiya area is now regarded as one of the most prospective areas in China. In Q2/11, the Company continued its aggressive drilling program with 20 rigs drilling at Beiya North to define a NI43-101 compliant resource and the extent of the zone of mineralization. To date the Company has focused on Beiya North where 103 holes have been drilled on a grid of 160 meters by 80-160 meters, and 86 of them intersected multi-layered gold/silver and base metal mineralized zones, including some high-grade intercepts containing up to 23.5 g/t gold, 928 g/t silver, 4.15% copper and 35.3% combined lead and zinc. Recent drilling results have confirmed the continuity of the main mineralized zone, up to 270 meters thick in aggregate, and over 1,820 meters long by 250 to 700 meters wide, and it remains open. The project consultants, Roscoe Postle and Associates ("RPA"), have already visited the Beiya project, examined the technical details of the exploration programs and audited the laboratories that the Company has been using for assaying. They are working on an inaugural NI43-101 report and resource estimate, which is scheduled to be completed this fall. The Company has also started an environmental assessment, hydrological survey and geo-engineering measurements, and metallurgical testing, as required for an application for a mining license for the first-phase mine development at Beiya. For further information, refer to the Press Releases dated February 7 and 22, March 3 and 9, April 21, May 11 and 17, and June 21, 2011 filed on SEDAR.

The drilled area is only a small part (2.8 square kilometers) of a 13 kilometer long by 2 kilometer wide gold belt, two-thirds of which belongs to the Company's joint venture, and one-third of which belongs to an adjacent open-pit mine producing 200,000 oz of gold per year. In addition, the Company has identified another gold-silver and base metal belt extending for 45 kilometers long by 2-4 kilometers wide. The company plans to conduct a geophysical (IP) survey to define more targets within these two gold belts.

The Beiya Project involves properties referred to as Ma Touwan and Beiya, initially covering an area of 586 square kilometers in two CJVs: Yunnan Now and Yunnan Dong Xin. Asia Now has earned a 72% interest in the Ma Touwan gold property and has the option of increasing to 90% its interest in the Beiya North property where the Company is currently drilling.

Habo copper-gold-molybdenum properties

At the Habo Project, the Company's work previously focused on Habo South, one of four major gold-copper-molybdenum soil anomalies identified on the Habo property. Assay results there indicated a subsurface, copper-molybdenum-silver zone within the 2.6 km by 1.3 km copper-gold-molybdenum mineralization system. Recent work has focused on anomalies in the northern part of the company's tenements, where results indicate potential for three new mineralized centers. In Q2/11, a geophysical (IP) survey started but paused because of technical problems which are being solved. The IP survey will resume as soon as possible to locate potential high-grade zones in the three new mineralized centers.

SELECTED QUARTERLY INFORMATION

The following tables show selected financial information related to the Company for the periods indicated. The information contained in these tables should be read in conjunction with the Company's financial statements. An analysis of the information contained in these tables is set out below under "Results of Operations" and "Liquidity and Capital Resources".

Selected Quarterly Information:

Quarter Ended	Net Revenue(1)	Net Loss and Comprehensive Loss Total	Net Loss and Comprehensive Loss Per Share(2)	Cash	Working Capital
June 30, 2011	$ 22,007	$ 293,376	$ 0.00	$ 11,042,474	$ 10,120,238
Mar. 31, 2011	19,036	566,588	0.01	12,965,087	12,116,362
Dec. 31, 2010	4,535	297,943	0.00	14,252,900	13,837,770
Sept. 30, 2010	8,154	204,008	0.00	1,635,357	1,402,298
June 30, 2010	3,622	149,725	0.00	2,124,673	1,743,131
Mar. 31, 2010	3,662	210,860	0.00	2,903,954	2,215,347
Dec. 31, 2009	5,328	249,877	0.00	3,469,089	2,801,494
Sept. 30, 2009	4,964	254,417	0.00	4,392,649	4,093,193

Notes: (1) Interest income included as a reduction of General and administrative expenses
(2) Basic and fully diluted

Factors Affecting Quarterly Results:

Quarterly variances occur mainly due to seasonal factors, administrative costs and fees related to new property acquisitions, business partnerships and combinations, levels of exploration activities and foreign exchange fluctuations between the Canadian dollar and China's renminbi.

During the 4th quarter ended December 31, 2010, the Company completed a non-brokered private placement financing with China Gold and with Prime Orient for gross proceeds of $13,572,600.

RESULTS OF OPERATIONS

The Company has no revenue or operating cash flow other than interest income. As a result of its activities, the Company continues to incur net losses. For the 3 and 6 months ended June 30, 2011, the Company's net loss and comprehensive loss was $293,373 and $859,961 versus a net loss and comprehensive loss of $149,725 and $360,585 for the 3 and 6 month periods ended June 30, 2010.

The main components of this loss were:

	3 Months Ended June 2011	3 Months Ended June 2010	6 Months Ended June 2011	6 Months Ended June 2010
Management and consulting fees	$ 68,427	$ 45,359	$ 165,610	$ 96,181
General and administration expenses	60,027	64,127	107,234	104,657
China office expenses	97,176	47,824	157,008	80,022
Investor relations	42,861	16,984	78,274	26,385
Listing and transfer agent fees	9,325	2,449	18,734	9,994
Directors fees and expenses	19,353	12,560	94,913	18,810
Directors stock option compensation	26,941	23,125	79,347	64,750
Foreign exchange loss (gain)	(39,215)	(3,259)	141,957	13,033
Other (income) expenses	-	(65,659)	-	(65,659)

Q2/11

Management and consulting fees have increased by $23,068 in Q2/11 as compared to Q2/10. During Q2/11, fees to the CEO increased by $1,500, fees to the CFO increased by $4,500 due to additional responsibilities. Stock option compensation on options that vested during Q2/11 was $23,427 as compared to stock option compensation on options that vested during Q2/10 of $6,359.

During Q2/11, China office expenses increased by $49,352 from Q2/10. The increase costs result mainly from an increase in staffing level, travel expenses, permits and business fees as the Company is ramping up its exploration activities and in preparation for the completion of the NI43-101 compliant resource.

Investor relations expenses increased by $25,877 during the current quarter from Q2/10. The increase is due to an increase in monthly fees of $6,000, presentation materials to investment brokers including travel expenses of $4,800 and to stock option compensation on options that vested in the current quarter of $14,056 (Q2/10 - $3,200).

Listing and transfer agent fees increased by $6,876 during the three months ended June 30, 2011 from the three months ended June 30, 2010. The increase relates to mailing costs of the management information circular to shareholders of $2,700 and to fees paid to the TSX-V for their review and approval of the Company's revised stock option plan.

Directors' fees in Q2/11 amounted to $16,386 as compared to $12,560 during Q2/10. The reduction of Board meetings was offset by two additional directors on the Board and an increase in the Chairman's remuneration. Directors' expenses during the current quarter amounted to $2,967 (Q2/10 - $Nil) due to an under accrual of travel costs during Q1/11.

Stock based compensation on options to directors that vested during Q2/11 amounted to $26,941 as compared to stock option compensation on options that vested during Q2/10 of $23,125, an increase of $3,816.

Foreign exchange (loss) gain was caused by the conversion of monetary assets held in China due to the fluctuation of the Canadian dollar versus China's renminbi ("RMB"). During Q2/11, the Company maintained in excess of CDN$10,000,000 (Q2/10 - $700,000) in RMB in China which accounts for the variation from Q2/10.

Other income during Q2/10 relates to receipt of funds from a wind power company utilizing lands on a project written off in a prior year.

6 months ended June 30, 2011

For the six month period ended June 30, 2011, management and consulting fees increased by $69,429 from the comparable 2010 period. Fees to the CEO increased by $3,000, regular fees to the CFO increased by $9,000 due to additional responsibilities plus a one-time fee for due diligence and completion of the private placement during fiscal 2010 of $10,000. Stock option compensation on options that vested during the current six month period was $65,610 as compared to stock option compensation on options that vested during the six month ended of June 30, 2010 of $17,806.

China office expenses increased by $76,986 during the six months ended June 30, 2011 from the comparable 2010 period. The increase in costs result mainly from an increase in staffing level, travel expenses, permits and business fees as the Company is ramping up its exploration activities and in preparation for the completion of the NI43-101 compliant resource.

Investor relations expenses increased by $51,889 during the current six months as compared to the six months ended June 30, 2010. The increase is due to an increase in monthly fees of $6,000, presentation materials to investment brokers including travel expenses of $4,800 and to stock option compensation on options that vested in the current period of $38,488 (Six months ended June 2010 - $3,200).

Listing and transfer agent fees increased by $8,740 during the six months ended June 30, 2011 from the six months ended June 30, 2010. The increase relates to mailing costs of the management information circular to shareholders of $2,700 and to fees paid to the TSX-V for their review and approval of the Company's revised stock option plan.

Directors' fees for the six month period ended June 30, 2011 amounted to $50,752 as compared to $18,810 during the comparable 2010 period. The increase is due to two additional directors on the Board, to an additional Board meeting in the current year and to an increase in the Chairman's remuneration. Directors' expenses during the current six months amounted to $44,161 (2010 - $Nil). Two Canadian directors travelled to Hong Kong to attend a Board meeting and four directors from Asia travelled to Toronto to attend a Board meeting.

Stock based compensation on options to directors that vested during six months ended June 30, 2011 amounted to $79,347 as compared to stock option compensation on options that vested during the 2010 six month period of $64,750, an increase of $14,597.

Foreign exchange (loss) gain was caused by the conversion of monetary assets held in China due to the fluctuation of the Canadian dollar versus China's renminbi ("RMB"). During 2011, the Company maintained in excess of CDN$10,000,000 (2010 - $700,000) in RMB in China which accounts for the variation.

Other income during Q2/10 relates to receipt of funds from a wind power company utilizing lands on a project written off in a prior year.

General and administration

General and administration expenses for the Company can be further broken down as:

	3 Months Ended June 2011	3 Months Ended June 2010	6 Months Ended June 2011	6 Months Ended June 2010
General and office expenses	$ 4,123	$ 1,597	$ 6,906	$ 4,476
Legal fees	16,745	32,932	34,082	36,847
Accounting fees	19,955	6,135	26,160	12,340
Audit fees	20,600	6,683	31,340	18,683
Insurance	11,354	8,125	21,264	16,251
Interest expense (income)	(22,007)	3,662	(41,043)	(40)
Rent	4,650	4,211	9,300	8,097
Travel	-	-	2,190	219
Conferences and trade shows	-	-	-	3,375
Promotion	-	-	4,685	-
Shareholder communication	-	122	-	389
Filing fees	4,607	700	12,350	4,020
Total General and administration	**$ 60,027**	**$ 64,127**	**$ 107,234**	**$ 104,657**

Q2/11

Legal fees decreased by $16,187 during Q2/11 as compared to Q2/10. The decrease relates primarily to the review of potential financing documents during Q2/10.

Accounting fees increase by $13,820 during Q2/11 from Q2/10. Fees for the 2010 preparation of year end file amounting to $8,500 were invoiced in the current quarter while the 2009 fees had been accrued during fiscal 2009. In addition, 2011 fees for the conversion of the Company's financial reporting on adoption of new IFRS standards totalled $5,500.

Audit fees increased by $13,917 in Q2/11 from the comparable 2010 period. This was caused by an under accrual of 2010 fees of $4,000, an over accrual of $5,000 relating to 2009 audit fees recorded in Q2/10 and a fee of $3,600 for the review of the Company's Q1/11 financial statements prepared under the IFRS standards.

The increase of $25,669 in interest income during Q2/11 from Q2/10 is due to larger cash balances invested in short term deposits.

The increase of $3,907 in filing fees in Q2/11 from Q2/10 is mainly due to an increase in the number of press releases during the current quarter.

There were no significant variations in the other general and administration expenses between Q2/11 and Q2/10.

6 months ended June 30, 2011

The increase of $13,820 in accounting fees for the six months ended June 30, 2011 from the comparable 2010 period was explained above.

For the six month period ended June 30, 2011, audit fees increased by $12,657 from the six months ended June 30, 2010. The increase was explained above.

Insurance expense increased by $5,013 during the current six months as compared to the six months ended June 30, 2010. The increase reflects an increase in coverage under the Company's Directors and Officers liability policy.

The increase of $41,003 in interest income during the six months ended June 30, 2011 from the comparable 2010 period is due to larger cash balances invested in short term deposits.

Promotion expense in the current six month period consists of an advertisement in a business periodical placed in conjunction with a published article on the Company's exploration activities in China.

The increase of $8,330 in filing fees in the six month period ended June 30, 2011 from the six months ended June 30, 2010 is mainly due to an increase in the Company's share capital and in the number of press releases.

Deferred exploration expenditures

As a result of its exploration activities, the Company had deferred $13,234,329 (March 2011 - $11,427,817) of exploration expenditures as at June 30, 2011. Exploration expenditures during Q2/11 amounted to $1,806,512 (Q2/10 - $370,179). The deferred expenses were mostly on the Beiya projects (with Yunnan Dong Xin and Yunnan Now) and Habo, and consisted of geological mapping, geophysical surveys, geochemical sampling, trenching, tunnelling, drilling and efforts to identify anomalies and mineralization zones. For further information, refer to the "*Mineral Properties*" section below.

LIQUIDITY AND CAPITAL RESOURCES

The Company had $10,120,238 in working capital as at June 30, 2011 (March 2011 - $12,116,372). The decrease in working capital of $1,996,134 is due to exploration expenditures of $1,806,512 during the 3 month period ended June 30, 2011 and corporate administrative expenses.

In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There is no assurance that such additional financing will be available as required, or under favourable terms. If the Company does not secure additional financing, exploration activities will be seriously curtailed.

For additional comments on the Company's liquidity and capital resources, refer to Notes 1 and 14 of the Consolidated Financial Statements for the year ended December 31, 2010 and to Notes 1 and 16 of the Condensed Interim Consolidated Financial Statements for the Three and Six Months ended June 30, 2011.

Share Capital

No shares were issued during Q2/11 or to August 23, 2011.

During Q2/11, 200,000 options expired unexercised. No additional options were issued to August 23, 2011.

As at August 23, 2011, the Company's share position consisted of:

Shares outstanding	111,010,798
Options outstanding(i)	6,125,000

(i) Options outstanding:

Expiry Date	No. of Options	Exercise Price
Apr. 30, 2012	200,000	0.33
Aug. 1, 2012	1,150,000	0.75
Jan. 3, 2013	50,000	0.75
Sept. 10, 2014	2,650,000	0.25
Feb. 17, 2016	1,975,000	0.30
Mar. 24, 2016	100,000	0.30

Commitments:

As at June 30, 2011, the Company has committed to fund its joint venture company, Yunnan Now Mineral Exploration Company Limited, US$2,960,500. The timing and amount of funding is dependent on the results of the on-going exploration programs.

RESOURCE PROPERTIES

Exploration on all of the Company's projects is conducted with the advice of Dr. Noel C. White, the Chief Technical Advisor to the Company and a Qualified Person as defined under National Instrument 43-101. Dr. White has read and approved the technical and scientific information contained in this MD&A. Disclosure on mineralization on adjacent properties has not been verified by Dr. White and is not necessarily indicative of the Company's anticipated results. Where provided, potential quantity and grade is conceptual in nature as the Company has not conducted sufficient exploration to define resources and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Beiya Project (including Ma Touwan and Beiya properties)

The Beiya Project is in what is regarded as one of the most prospective areas in China and our exploration is viewed by the Ministry of Land and Resources as a model for successful joint ventures in mineral exploration in China. As a key project supported by the government, exploration progress was reviewed by government expert groups in November- December 2010 and January-June 2011.

The Beiya Project involves properties referred to as Ma Touwan and Beiya that initially covered an area of 586 square kilometers in two CJVs: Yunnan Now and Yunnan Dong Xin. Geochemical sampling and surface geophysical surveys (magnetics) as well as geological mapping have been carried out over the whole area. Areas with low potential have been relinquished in order to save funds and focus on exploration of key mineralization zones that have been identified within the remaining area of 108.61 square kilometers.

Exploration is focused on two major gold mineralized belts: Beiya North and Beiya Far North. Drilling has been carried out on the 13 kilometers by 2 kilometers Beiya North gold belt, 2/3 of which occurs on JV ground controlled by Asia Now, and 1/3 on the adjacent open pit Beiya gold mine producing 200,000 ounces gold per year. In the Beiya gold mine, the drilled mineralized zone includes a recent intercept of 72.46 meters at 3.71 g/t gold, 90.07 meters at 0.74% copper, 96.47 meters at 34.6% TFe (total iron), as well as 39 meters at 2.8% copper and 2.10g/t gold. Over 110,000 meters of drilling has been completed recently to prove up a significant resource (>5.5 million ounces gold and >300,000 tonnes copper, not Canadian NI43-101 compliant resource), which makes the Beiya Gold Mine the largest gold deposit in Yunnan Province. This mineralized zone is indicated by a strong magnetic anomaly coincident with soil geochemical anomalies that extend from the gold mine northwest into the adjacent CJV property.

The Company is now drilling for resource definition of the gold-silver and base metal zone at Beiya North. To date, a total of 103 holes (37,254.75 meters) have been drilled on a grid of 160 meters by 80-160 meters, and 86 of them intersected multi-layered gold-silver and base metal mineralized zones (up to 270 meters thick in aggregate), including some high-grade intercepts (0.9-15 meters) containing up to 23.5 g/t gold, 928 g/t silver, 4.15% copper and 35.3% combined lead and zinc. In Q2/11, the Company continued drilling the mineralized zones. Recent assay results have confirmed the continuity of the main mineralized zone over 1,820 meters long by 250 to 700 meters wide, and it remains open. The project consultants, Roscoe Postle and Associates (RPA), have already visited the Beiya project, examined the technical details of the exploration programs and audited the international laboratories (SGS-CSTC Standards Technical Sciences Limited and Intertek Testing Service Limited) that the Company has been using for assaying. They are working on an inaugural NI43-101 report and resource estimate, which is scheduled to be completed this fall.

The Company has continued its aggressive drilling programs with 20 rigs drilling to define the extent of a NI43-101 compliant resource at Beiya North. The Company has also started an environmental assessment, hydrological survey and geo-engineering measurements, and metallurgical testing, as required for an application for a mining license for the first-phase mine development at Beiya. For further information, refer to the Press Releases dated February 7 and 22, also March 3 and 9, April 21, May 11 and 17, and June 21, 2011 filed on SEDAR.

At Beiya West, to the southwest of the gold mine, trenches and short tunnels outlined 6 gold zones up to 4.7 meters thick, and grading up to 34 g/t, and one copper-gold zone 11.2 meters thick grading 0.6% copper and 0.1 g/t gold. To the northeast of the gold mine at Beiya Northeast, high grade gold up to 14.5 g/t has been found in residual magnetite and the gold resource is being evaluated over an area of 3.6 square kilometers. In 2009, a consultant report by a Canadian expert, Dr. Richard Tosdal, indicated an extensive bleached zone in the limestone area where copper-gold anomalies occur, and suggested potential intrusion related mineralization zones similar to those at the Beiya gold mine. This was followed by a detailed ground geophysical survey (magnetics) and geological mapping. Three holes (1,301.46 meters) were drilled to test the geophysical and soil anomalies, but no significant mineralization was found. In Q2/11 a geophysical (IP) survey program was planned and will be carried out to locate potential mineralized zones at Beiya West and Beiya Northeast.

The Company has identified another gold belt that extends northwest for 45 kilometers long by 2-4 kilometers wide. Within this belt, the Beiya Far North gold anomaly is the major anomaly with an area of 12 square kilometers with two gold anomalous zones, one extending at least 500 meters long by 1.5 to 15.6 meters wide with exploration geochemical results (in soil and rock chips) grading 0.5 to 2.9 g/t, and another extending at least 600 meters long by 9.3-37.6 meters wide with exploration geochemical results grading 0.3 to 3.5 g/t. Four drill-holes (1,306.67 meters) were sited to test the anomalous zones at depth, but no significant gold mineralization was found. In Q2/11 a geophysical (IP) survey program was planned and the contract was signed to assist in locating gold mineralized zones.

Asia Now has earned a 72% interest the Ma Touwan gold property and has the option of increasing to 90% its interest in the Beiya North property where the Company is currently drilling.

Habo Project

The Habo Project involves the Yunnan Now CJV. Soil and stream sediment sampling and geological mapping have been carried out on the whole area of 162 square kilometers, and have identified a number of copper-gold-molybdenum anomalies and mineralization zones. Low potential areas have been relinquished, and 59.76 square kilometers with high potential have been kept for further exploration.

The Company has previously focused on a large porphyry copper-gold system on prominent hills in the south tenement (Habo South) of the project where the soil geochemical anomaly is 3.5 km by 2.1 km, outlined using 150 ppm copper, 16 ppb gold and 10 ppm molybdenum, one of four major gold-copper-molybdenum soil anomalies associated with the Habo porphyry. To date, widely spaced drilling and tunnelling programs have confirmed that the mineralization system is over 2,600 meters long and 1,300 meters wide, and open to west, south, and north. To date, a total of 12 holes (5,454.11 meters) and 18 tunnels (4,060.35 meters) intersected 22 copper mineralization zones each 10-60 meters thick grading 0.20 to 0.96% on average; 16 molybdenum mineralization zones each 6-52.5 meters thick grading 0.043 to 0.24%; and two gold zones at the north and south end of the copper zones grading 0.1 to 0.6 g/t on average. Recent tunnels indicated 17-52.5 meters grading 0.25% copper and 0.08% molybdenum including 4.5 meters at 0.48% copper, 0.32% molybdenum and 13 grams per tonne (g/t) silver, 2.5 meters at 0.75% copper, 0.21% molybdenum and 16.6g/t silver, 2.0 meters at 0.38% copper, 0.24% molybdenum and 14g/t silver; and 10.1 meters at 0.25% copper, 0.06% molybdenum and 16.4g/t silver, and 1.5 meters at 1.33% copper and 111g/t silver.

Three new copper-gold-molybdenum porphyry prospects have been indicated by recent surface geological programs including 636 rock-chip samples taken over a 40 square kilometer area at Habo North and East. These centers show extensive alteration and stockwork veining, with samples containing up to 3.1g/t gold, 0.42% copper and 0.29% molybdenum and 172g/t silver, in addition to high-grade veins (up to 2.96 g/t gold, 242 g/t silver, 0.94% molybdenum, 9.96% copper). In Q2/11, a geophysical (IP) program started, but paused due to the technical problems. The problems are now being solved, and the IP program will be resumed as soon as possible to locate potential high grade zones in the three new mineralization systems.

Regional geological programs were also carried out to examine a number of high-grade gold and base metal zones at Habo North and Habo West. As indicated by the results for 2007 and 2008, five main zones range from 360 to 1,000 meters long by 4.0 to 7.0 meters thick, grading 0.1-1.8 g/t gold, 6-61.4 g/t silver, 0.2-5.9% copper, 0.17-0.37% molybdenum, 0.4-6.2% zinc and 0.4-1.0% lead, and occur along fractures in a multiphase porphyry where a major soil copper-gold-molybdenum anomaly was found by a soil sampling program. The high-grade veins were interpreted to be the top and marginal part of an unexposed porphyry copper-gold-molybdenum system, and a more detailed assessment is being carried out through systematic sampling along the outcrops and the old tunnels in the area.

Project Expenditures

Quarterly exploration expenditures during 2011 were as follows:

	Yunnan Dong Xin (Ma Touwan)	**Yunnan Now** (Beiya)	**Yunnan Now** (Habo)	**Total**
Balance at December 31, 2010	**$ 4,315,629**	**$ 2,541,715**	**$ 3,330,497**	**$ 10,187,841**
Quarter ended March 31, 2011	1,107,306	78,795	53,875	1,239,976
Quarter ended June 30, 2011	1,658,137	93,781	54,594	1,806,512
Balance at June 30, 2011	**$ 7,081,072**	**$ 2,714,291**	**$ 3,438,966**	**$ 13,234,329**

ENVIRONMENTAL LIABILITIES

The Company is not aware of any environmental liabilities, obligations or responsibilities associated with the Company's mining interests.

COURSE OF BUSINESS TRANSACTIONS

Related Party Transactions

The following amounts were paid or accrued as payable to officers and directors or to companies controlled by those officers and directors. These expenditures were recorded at the amounts negotiated and agreed to by the parties and are summarized below:

	3 Months Ended June 2011 ($)	3 Months Ended June 2010 ($)	6 Months Ended June 2011 ($)	6 Months Ended June 2010 ($)
President(1)	52,500	45,000	105,000	99,100
Corporate Secretary(2)	-	-	-	-
Chief Financial Officer	18,000	13,500	46,000	27,000
Director Fees	16,366	12,560	50,752	18,810

Notes: (1) Includes remuneration received from each of the joint venture companies in China while acting as their General Manager.

(2) Effective June 25, 2009, a partner of a legal firm became an officer of the Company. Fees for legal services provided by the firm during Q2/11 and the six months ended June 30, 2011 amounted to $16,745 and to $34,082 respectively (Q2/10 - $32,932; six months ended June 30, 2010 - $36,847). These amounts were included in legal fees.

In addition, stock option compensation to officers in Q2/11 and for the six months ended June 30, 2011 amounted to $23,427 and $65,610 respectively (Q2/10 - $6,359; six months ended June 30, 2010 - $17,806) and to directors in Q2/11 and for the six months ended June 30, 2011 amounted to $26,941 and to $79,347 respectively (Q2/10 - $23,125; six months ended June 30, 2010 - $64,750).

Accounts payable and accrued liabilities as at June 30, 2011 include $24,109 (December 31, 2010 - $Nil) payable to directors and $Nil (December 31, 2010 - $32,110) due to the legal firm where a partner of the legal firm is an officer of the Company.

Off-Balance Sheet Transactions

The Company has not entered into any off-balance sheet arrangements.

Proposed Transactions

As is typical of the minerals exploration and development industry, the Company continues to review property and competitor company information in search of future opportunities in terms of new property acquisitions and business partnerships. Although no transactions are in progress currently, the Company endeavours to continue research into potential opportunities, and to keep business relationships open should opportunities arise.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Statement of compliance

Effective the first quarter of 2011, the Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The disclosures required by the provisions of IFRS 1, "First-time adoption of International Financial Reporting Standards", has been applied and the impact of the transition from Canadian GAAP to IFRS is explained in Note 17 of the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2011 ("Note 17").

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2010 and the Company's condensed consolidated interim financial statements as at and for the three months ended March 31, 2011.

The accounting policies have been applied consistently to all periods presented in these unaudited condensed interim consolidated financial statements.

The unaudited condensed interim consolidated financial statements have been prepared on the basis of IFRS standards that are expected to be effective or available for early adoption by the Company on December 31, 2011, the Company's first annual reporting date under IFRS. The Company has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ending December 31, 2011.

Basis of presentation

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, the unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of the unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Basis of consolidation

The unaudited condensed interim consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Significant accounting judgments and estimates

The preparation of the unaudited condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- **Critical accounting estimates**

  Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

  - ✓ the recoverability of accounts receivable that are included in the unaudited condensed interim consolidated statements of financial position;

- ✓ the estimated useful lives and residual value of property, plant and equipment ("PPE") which are included in the unaudited condensed interim consolidated statements and the related depreciation included in profit or loss;
- ✓ the inputs used in accounting for stock option transactions in profit or loss, and the inputs used in accounting for stock option transactions capitalised to the mineral properties and deferred exploration expenditures in the current and prior periods;
- ✓ the assessment of indications of impairment of each mineral property and related determination of the net realizable value and write-down of those properties where applicable;
- ✓ management applied judgment in determining the functional currency of the Company as Canadian Dollars; and
- ✓ management assumption of no material restoration, rehabilitation and environmental exposure, based on the facts and circumstances that existed in the current and prior periods.

➢ **Critical accounting judgments**

- ✓ How financial assets and liabilities are categorized is an accounting policy that requires management to make judgments or assessments.

Financial Instruments

(a) Financial assets:

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(b) Financial liabilities:

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

➢ **Other financial liabilities:**

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, to the net carrying amount on initial recognition.

➢ **De-recognition of financial liabilities:**

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expired.

➢ **The Company's financial instruments consist of the following:**

Financial assets	Classification
Cash & cash equivalents	FVTPL
Prepaid and sundry receivables	Loans & receivables

Financial liabilities	Classification
Accounts payable & accrued liabilities	Other financial liabilities

- **Financial instruments recorded at fair value:**

  Financial instruments recorded at fair value on the unaudited condensed consolidated interim statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

  - Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
  - Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

  As of June 30, 2011, March 31, 2011, December 31, 2010 and January 1, 2010, Cash and cash equivalents were classified as Level 1 on the unaudited condensed interim consolidated balance sheets.

Change in Accounting Policies

Impact of Adopting IFRS on the Company's Accounting Policies

Effective the first quarter of 2011, the Company prepares its financial statements in accordance with IFRS. Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are provided in Note 17 "Conversion to IFRS" of the unaudited condensed interim consolidated financial statements. This note also includes reconciliations of equity and comprehensive loss for Asia Now Resources Corp.

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective on December 31, 2011, the Company's first annual IFRS reporting date. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

- **Impairment of financial assets:**

  Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts or loan receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

- **Impairment of non-financial assets**

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. The Company has assessed its assets and has determined that there is no impairment of its non-financial assets.

- **Exploration and evaluation expenditures**

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

- **Property, plant and equipment**

Property, plant and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are amortized using the declining-balance method at an annual rate of 30%. Leasehold improvements are recorded at cost and amortized over 2 years on a straight line basis.

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statements of comprehensive income or loss.

Where an item of PPE consists of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

- **Cash and cash equivalents**

  Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, and which are readily convertible into a known amount of cash. The Company’s cash and cash equivalents are invested with major financial institutions in business accounts and higher yield investment and savings accounts that are available on demand by the Company for its programs.

- **Provisions**

  A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

  A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

  The Company had no material provisions at June 30, 2011, December 31, 2010, June 30, 2010 and January 1, 2010.

- **Share based payment transactions**

  The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

  The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

- **Income taxes**

  Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

  Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

  Deferred tax is provided using the balance sheet 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. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. 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 financial position reporting date.

  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 future tax asset will be recovered, it provides a valuation allowance against that excess.

- **Restoration, rehabilitation and environmental obligations**

  A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

  The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

- **Loss per share**

  The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options outstanding that may add to the total number of common shares.

- **Foreign currencies**

  The functional currency, as determined by management, of Asia Now and each of its subsidiaries is the Canadian Dollar. The unaudited condensed interim consolidated financial statements, the results and financial position are expressed in Canadian Dollars. Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the consolidated statement of loss and comprehensive loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Impact of Adopting IFRS on the Company's Business

The adoption of IFRS has resulted in some changes to the Company's accounting systems and business processes. However, the impact has been minimal. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Company's staff and advisers involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies.

The Board of Directors and Audit Committee have been regularly updated throughout the Company's IFRS transition process, and are aware of the key aspects of IFRS affecting the Company.

Future accounting changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2010 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.
- IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 Joint arrangements ("IFRS 11") was issued by the IASB in May 2011 and will replace IAS 31 Interests in Joint ventures and SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is effective for annual period beginning on or after January 1, 2013.
- IFRS 12 'Disclosure of Interests in Other Entities' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers its capital to be equity, comprising share capital, reserves and deficit which at June 30, 2011 totalled $23,502,830 (December 31, 2010 - $24,087,330). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, and acquire or dispose of assets to adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including but not limited to source and use of capital and general industry conditions.

The Company expects its current capital resources will be sufficient to carry out its exploration, development and investment plans and operations through fiscal 2011.

The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended June 30, 2011 and June 30, 2010 and year ended December 31, 2010.

PROPERTY AND FINANCIAL RISK FACTORS

The Company is exposed to property risk and a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risks) as explained below.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) Property risk

The Company's major mineral properties are Ma Touwan, Beiya and Habo. Unless the Company acquires or develops additional material properties, the Company will be mainly dependant upon these three projects. If no additional major mineral exploration properties are acquired by the Company, any adverse development affecting these three projects would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk).

- ***Credit risk***

The Company's credit risk is primarily attributable to cash and cash equivalents and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be minimal. Sundry receivables consist of harmonized sales tax due from the Federal Government of Canada, receivables from employees and accrued interest. Sundry receivables of $50,805 are in good standing as of June 30, 2011 and represent the maximum credit exposure. Management believes that the credit risk concentration with respect to sundry receivables is minimal.

- ***Liquidity risk***

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at June 30, 2011, the Company had cash and cash equivalents of $11,042,474 (December 31, 2010 - $14,252,900) to settle current liabilities of $1,058,463 (December 31, 2010 - $506,425). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

- ***Market risk***

(i) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is 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 creditworthiness of its banks.

(ii) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars, US dollars and Chinese renminbi ("RMB"). The Company funds major exploration expenses in China. The Company maintains Canadian dollar and Chinese RMB bank accounts in China. Management does not hedge its foreign exchange risk.

(iii) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, copper, silver, lead, zinc and molybdenum to determine the appropriate course of action to be taken by the Company.

(c) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a six month period:

Cash equivalents include deposits at call which are at variable rates. As at June 30, 2011, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the period ended June 30, 2011 would have been approximately $48,420 higher/lower, as a result of lower/higher interest income from cash equivalents. Similarly, as at June 30, 2011, reported shareholders' equity would have been approximately $48,420 lower/higher as a result of lower/higher interest income from cash equivalents due to a 1% decrease/increase in interest rates.

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents, sundry receivables and accounts payable and accrued liabilities that are denominated in Chinese RMB. As at June 30, 2011, had the Chinese RMB dollar weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, the Company's loss for the period ended June 30, 2011 would have been approximately $423,818 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at June 30, 2011, reported shareholders' equity would have been approximately $423,818 lower/higher had the Chinese RMB dollar weakened/strengthened by 5% as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold, copper, silver, lead, zinc and molybdenum. Gold, copper, silver, lead, zinc and molybdenum prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of gold, copper, silver, lead, zinc and molybdenum may be produced in the future, a profitable market will exist for them. As of June 30, 2011, the Company was not a gold, copper, silver, lead, zinc and molybdenum producer. As a result, gold, copper, silver, lead, zinc and molybdenum price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

RISK FACTORS

Due to the nature of the Company's business, it is subject to various financial, environmental and operational risks that should be carefully considered by readers. For a summary of the risk factors which could impact the Company's operations and its financial position, readers should carefully review the "*Risk* F*actors"* section set out in the Annual Management Discussion & Analysis for the year ended December 31, 2010 on Sedar at www.sedar.com. There have been no significant changes in risk factors since the date hereof except as noted below:

Title maintenance of exploration rights

The maintenance of exploration rights has become more difficult as all levels of the Chinese governments are frequently changing their policies and regulations.

New policies have been implemented by the Ministry of Land and Resources in China. As a result the Yunnan Provincial Government has introduced new regulations for exploration and mining within the Yunnan Province. Local prefectural and county governments have also developed new policies.

The new regulations in Yunnan include:

(1) Minimum annual exploration expenditures
(2) Specific time limits for conducting exploration activities and for the development of a mine
(3) Reduction of the exploration area by 25-50% of the area initially defined for the exploration right
(4) Higher requirements for the application of a mining license

In the future, the Company will need to increase its historical exploration activities in order to comply with these new regulations or be subject to involuntary reductions its exploration rights.

OUTLOOK

The Company's exploration in Yunnan is regarded by the Ministry of Land and Resources as a model for successful joint ventures in mineral exploration in China, and the Company has received strong support from all levels of government. The Company recently received an onsite visit to the Beiya project by a delegation of 110 experts and governmental officers from 31 provinces led by Dr. Wang Min, a Vice Minister for the Ministry of the Land and Resource of P. R. China. The Company continued its focus on its Beiya and

Habo projects, both having large mineralization belts with potential for significant discoveries, based on the exploration programs completed to date.

The Beiya project is in what is regarded by the China Geological Survey as one of the most prospective areas in China. The Company has continued its aggressive drilling programs with 20 drill rigs to define the extent of a NI43-101 compliant resource estimate at Beiya North. The project consultants, Roscoe Postle and Associates (RPA), have already visited the Beiya project, examined the technical details of the exploration programs and audited the international laboratories (SGS and Intertek) that the Company has been using for assaying. They are working on an inaugural NI43-101 report and resource estimate, which is scheduled to be completed this fall.

The Beiya project has high potential for a mining camp with multiple intrusion-related copper-gold ore deposits. To date, the Company has focused on Beiya North where 103 holes (37,254 meters) were drilled on a grid of 160 meters by 80-160 meters, and 86 of them intersected multi-layered gold-silver and base metal mineralized zones, including some high-grade intercepts containing up to 23.5 g/t gold, 928 g/t silver, 4.15% copper and 35.3% combined lead and zinc. Recent successful drilling results have confirmed the continuity of the main mineralized zone over 1,820 meters long by 250 to 700 meters wide, and it remains open to the northwest. The drilled area is only a small part (<2 square kilometers) of the 13 kilometer long by 2 kilometer wide gold belt, two-thirds of which belongs to the Company's joint venture, and one-third of which belongs to an adjacent open-pit mine producing 200,000 oz gold per year. In addition, the Company has identified another gold-silver and base metal belt extending for 45 kilometers long by 2-4 kilometers wide. The company has planned a geophysical (IP) survey on selected targets within these two gold belts.

The Company believes its Habo Project has excellent potential for large bulk-tonnage porphyry-style copper-gold deposits for open-pit, bulk-tonnage mining. At Habo South, extensive sulfide mineralization covers an area of 2.3 kilometers by 1.3 kilometers and is open to the south, west and north. Exploration results to date have confirmed thick (up to 268 meters), subsurface mineralization zones including 17 meters at 0.96% copper and 52.5 meters at 0.25% copper and 0.08% molybdenum. Recent surface examination indicated three additional copper-gold-molybdenum mineralized centers in the northern part of the project. The Company has started a geophysical (IP) survey to locate potential high-grade parts of the porphyry mineralized systems at Habo.

Asia Now has always been committed to building a long-term portfolio of mineral exploration and mining properties in China and other areas of Asia. The Company has sufficient funds for aggressive exploration programs of its key projects, and has developed extensive relationships with significant investors, especially in Asia, and is well positioned for the next stage of development and potential strategic opportunities in the global mining industry and Asian markets.