



TORCH RIVER RESOURCES LTD.
(An exploration stage company)

SECOND QUARTER
INTERIM FINANCIAL STATEMENTS
(Unaudited - Prepared by Management)

April 30, 2011

**NOTICE TO SHAREHOLDERS
FOR THE SECOND QUARTER ENDED APRIL 30, 2011
TORCH RIVER RESOURCES LTD.**

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

The Accompanying unaudited interim consolidated financial statements of Torch River Resources Ltd. have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, consistent with previous periods.

Torch River Resources Ltd.'s independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statement by an entity's auditor.

TORCH RIVER RESOURCES LTD.
BALANCE SHEET AS AT APRIL 30, 2011

	April 30 2011 <u>(Unaudited)</u>	April 30 2010 <u>(Unaudited)</u>	YE October 31 2010 <u>(Audited)</u>
ASSETS			
Current			
Cash and equivalents	\$ 84,100	\$ 10,560	\$ 55,418
Short term investments	-	-	0
Accounts receivable	11,055	27,472	17,439
Prepaid expenses	2,823	3,913	5,983
	<u>\$ 97,978</u>	<u>\$ 41,945</u>	<u>\$ 78,840</u>
Restricted cash	46,000	46,000	46,000
Equipment	56,591	72,727	62,878
Mineral properties and rights	1,137,033	1,151,200	1,137,033
Deferred exploration costs	2,047,665	1,980,219	2,023,348
	<u>\$ 3,385,267</u>	<u>\$ 3,292,091</u>	<u>\$ 3,348,099</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 86,118	\$ 29,063	\$ 102,066
	<u>\$ 86,118</u>	<u>\$ 29,063</u>	<u>\$ 102,066</u>
SHAREHOLDERS EQUITY			
Share capital	\$ 10,629,911	\$ 10,383,453	\$ 10,458,308
Contributed surplus	997,259	875,300	925,259
Deficit	(8,328,021)	(7,995,725)	(8,137,534)
	<u>\$ 3,299,149</u>	<u>\$ 3,263,028</u>	<u>\$ 3,246,033</u>
	<u>\$ 3,385,267</u>	<u>\$ 3,292,091</u>	<u>\$ 3,348,099</u>

On behalf of the Board of Directors

"William E. Pfaffenberger"
William Pfaffenberger
President, CEO

"Barry Pearson"
Barry Pearson
CFO

TORCH RIVER RESOURCES LTD.

**STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT
FOR THE SIX MONTH PERIOD ENDED APRIL 30, 2011**

	3 Months April 30 2011 (Unaudited)	3 Months April 30 2010 (Unaudited)	6 Months April 30 2011 (Unaudited)	6 Months April 30 2010 (Unaudited)
Administrative Costs				
Amortization	\$ 3,144	\$ 4,143	\$ 6,288	\$ 8,285
Bank and loan interest	921	812	1,056	860
Filing fees	10,477	7,645	18,477	7,645
General meetings	-	-	1,269	1,245
Internet and website	605	319	1,509	448
Investor relations	7,668	6,413	13,184	7,063
Management fees	26,400	26,400	52,800	52,800
Office compensation	1,180	700	1,840	1,525
Office expense	3,039	3,494	5,144	7,576
Professional fees	7,742	6,419	12,343	15,985
Stock compensation	-	-	72,000	-
Telecommunications	120	-	120	50
Transfer agent	1,135	1,071	2,540	2,102
Travel & promotion	1,830	163	2,009	488
Operating costs for the quarter	\$ 64,261	\$ 57,579	\$ 190,579	\$ 106,072
Interest Income	78	-	94	87
Loss before income taxes	\$ 64,183	\$ 57,579	\$ 190,485	\$ 105,985
Deficit, beginning of year / quarter	\$ 8,263,836	\$ 7,938,146	\$ 8,137,534	\$ 7,889,740
Deficit end of quarter	\$ 8,328,019	\$ 7,995,725	\$ 8,328,019	\$ 7,995,725
Loss (gain) per share - basic and diluted	\$0.001	\$0.001	\$0.004	\$0.002

TORCH RIVER RESOURCES LTD.

STATEMENT OF CASH FLOWS

FOR THE SECOND QUARTER ENDED APRIL 30, 2011

	3 Months April 30 2011 <u>(Unaudited)</u>	3 Months April 30 2010 <u>(Unaudited)</u>	6 Months April 30 2011 <u>(Unaudited)</u>	6 Months April 30 2010 <u>(Unaudited)</u>
Cash Flow from (used in) the Operating Activity				
Net income (loss) for the year	\$ (64,183)	\$ (57,579)	\$ (190,485)	\$ (105,985)
Items not involving cash				
Stock based compensation	-	-	72,000	-
Amortization	3,144	4,143	6,288	8,285
Writedown of mineral property interest	-	-	-	-
	(61,039)	(53,436)	(112,197)	(97,700)
Cash provided by (invested in) non-cash working capital				
Decrease (increase) in accounts receivable and prepaids	10,125	(870)	9,361	18,670
Increase (decrease) in accounts payable and accrued liabilities	(4,703)	(21,664)	(15,951)	(6,318)
	(55,617)	(75,970)	(118,787)	(85,348)
Cash Flow from (used in) financing activities				
Issuance of share capital	75,000	174,000	177,250	-
Share issuance cost	(1,880)	(3,519)	(5,647)	174,000
Repayment of long term debt	-	-	-	(3,519)
Share subscription received in advance	-	-	-	-
Payment in financing contracts	-	-	-	-
	73,120	170,481	171,603	170,481
Cash flows from (used in) investing activities				
Acquisition of mineral properties for cash	-	(186,265)	-	(186,265)
Acquisition of capital assets	-	-	-	-
Deferred exploration expenses	(9,439)	(6,000)	(24,318)	(18,663)
Restricted cash for contingency	-	-	-	-
	(9,439)	(192,265)	(24,318)	(204,928)
Increase (decrease) in cash and cash equivalents	\$ 8,064	\$ (97,754)	\$ 28,499	\$ (119,795)
Cash and cash equivalents, beginning of period	76,036	108,314	55,601	130,355
Cash and cash equivalents, end of period	\$ 84,100	\$ 10,560	\$ 84,100	\$ 10,560

TORCH RIVER RESOURCES LTD.
(An exploration stage company)
Notes to the Financial Statements
For the Second Quarter ended April 30, 2011

1. Going Concern

These financial statements have been prepared by the Company (without audit) on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than normal course of business and at amounts which may differ from those shown in the financial statements.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional equity financing. However, the current financial equity market conditions and the low price of the Company's common shares have caused the Company to balance the need for additional operating funds against the dilutive effect of issuing new common shares.

The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. Nature of Operations

Torch River Resources Ltd. incorporated extra provincially in Alberta, Saskatchewan Manitoba, and British Columbia has shares listed on the TSX Venture Exchange.

Torch River Resources Ltd. is the result of an amalgamation filed March 26, 2004 effective September 4, 2003 between Torch River Mines Ltd. and Tael Capital Inc.

Tael was formed as a "Capital Pool Company" and was engaged in the business of identifying and evaluating properties or businesses with a view to completing a Qualifying Transaction. The amalgamation constitutes Tael's Qualifying Transaction for the purposes of TSXV Policy 2.4. Torch was a private company that was formed to explore and develop mineral properties in Manitoba. The amalgamation allows Torch to provide liquidity to its existing shareholders and gain access to the capital markets.

The Company is in the process of exploring its mineral properties and has not determined whether these properties contain ore reserves which are economically recoverable.

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

To date, the company has not earned significant revenues and is considered to be in the exploration stage.

TORCH RIVER RESOURCES LTD.
(An exploration stage company)
Notes to the Financial Statements
For the Second Quarter ended April 30, 2011

3. Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates. See *Note 5*.

(b) Mineral Properties and Rights, and Deferred Exploration Costs

The Company follows the accepted accounting practice of capitalizing acquisition, exploration and development costs applicable to properties held. If the properties become productive the costs will be amortized over the anticipated production of the property. If the property is abandoned, the applicable costs will be written off.

Depletion of costs capitalized to properties will be recorded using the unit of production method based on estimated proven reserves as determined by independent engineers.

Management has determined each property or project to be a cost centre.

The costs capitalized represent those costs incurred to date and do not necessarily reflect present or future values.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. As options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as a resource property cost or recoveries when the payments are made or received.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. As options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as a resource property cost or recoveries when the payments are made or received.

Management of the Company reviews and evaluates the carrying value of each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. If the total estimated future cash flow on an undiscounted basis is less than the carrying value of the asset, an impairment loss is measured and the asset is written down to fair value which is normally based on the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired, it is written down to its estimated fair value.

(c) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided using the following basis and annual rates:

<u>Equipment</u>	<u>Basis</u>	<u>Rate</u>
Computer equipment	Declining balance	45%
Furniture, fixtures and office equipment	Declining balance	20%
Field equipment	Declining balance	20%

One half of the above rates are used in the year of acquisition.

TORCH RIVER RESOURCES LTD.
(An exploration stage company)
Notes to the Financial Statements
For the Second Quarter ended April 30, 2011

3. Significant Accounting Policies — continued

(d) Cash Equivalents

Cash equivalents consist of highly liquid investments which are readily convertible into cash with maturities of three months or less when purchased.

(e) Investments and comprehensive income

Investments other than derivatives are classified as available-for-sale, and are measured at fair value, where applicable, or at an estimate of fair value. The resulting unrealized gains, net of applicable future income taxes, or losses, are included in other comprehensive income while realized gains, net of income taxes, or losses are included in the consolidated statement of operations. Unrealized gains and losses are recognized directly in other comprehensive income, except for other than temporary impairment losses, which are recognized in net earnings. Investments are reviewed on a regular basis to determine whether there has been a decline in value that is other than temporary. For the purpose of measuring any decline in value, the Company takes into account many factors related to each investment as well as all the factors that encompass, without being inclusive, a significant or prolonged decline in fair value, important financial distress of the issuer, a breach of contract, and increasing risk of issuer's bankruptcy, and disappearance of an active market for the financial asset concerned. If it is determined that the security is not impaired, an other-than-temporary impairment shall be considered to have occurred. If the decline in fair value is judged to be other than temporary, the cost basis of the individual security will be written down to fair value as a new cost basis and the amount of the write-down shall be included in earnings

(f) Stock Option Plan

The Company has a stock option plan that is described in *Note 8*.

For stock option awards granted and all direct awards of stock, the Company applies the fair value method. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for: weighted average risk-free interest rates; dividend yields; weighted-average volatility factors of the expected market price of the Company's Common Shares; and a weighted average expected life of the options. The fair value of direct awards of stocks is determined by the quoted market price of the Company's stock.

(g) Basic and Diluted Loss Per Share

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

TORCH RIVER RESOURCES LTD.
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Notes to the Financial Statements
For the Second Quarter ended April 30, 2011

3. Significant Accounting Policies — continued

(h) Share Capital — Flow Through Shares

The Company finances a portion of its exploration activities through the issue of flow-through shares.

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The Company renounces the qualifying expenditures upon issuance of the respective flow-through common shares and accordingly is not entitled to the related taxable income deductions for such expenditures.

The Company adopted, on a prospective basis, recommendations by the Emerging Issues Committee ("EIC") of the CICA relating to the recording of flow-through shares. EIC 146 stipulates that future income tax liabilities resulting from the renunciation of qualified mineral expenditures by the Company from the issuance of flow-through shares are recorded as a reduction in share capital. Any corresponding realization of future income tax benefits resulting in the utilization of prior year losses available to the Company not previously recorded, whereby the Company did not previously meet the criteria for recognition, are reflected as part of the Company's operating results during the year the expenses are renounced to the share subscribers.

(i) Contributed Surplus

The fair value of certain stock options has been valued using the Black-Scholes option-pricing model. The fair value on the grant of these securities is added to contributed surplus. Upon exercise, the corresponding amount of contributed surplus related to the security is removed from contributed surplus and added to share capital.

(j) Asset Retirement Obligations

Asset retirement obligations are recognized when a legal obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or a loss upon settlement.

It is reasonably possible that the Company's estimates of its ultimate reclamation and site restoration liability could change as result of changes in regulations or cost estimates. The effect of changes in estimated costs is recognized on a prospective basis. Currently, the Company's projects are under option and at an exploration stage, and accordingly, no such obligations have arisen.

(k) International Financial Reporting Standards

On February 13, 2008 the Accounting Standards Board ("AcSB") confirmed that in 2011 publically accountable enterprises will be required to report under International Reporting Standards ("IFRS"). This change will apply to fiscal years beginning on or after January 1, 2012. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011. The Company is analyzing the significant IFRS-GAAP differences with respect to the Company's financial statements and related disclosures.

TORCH RIVER RESOURCES LTD.
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Notes to the Financial Statements
For the Second Quarter ended April 30, 2011

4. Equipment

Equipment consists of the following:

	Cost	Accumulated Amortization	Net Book Value	
			2011	2010
Computer equipment	\$ 10,247	10,247	-	\$ 1,335
Office equipment	5,259	5,259	-	654
Field equipment	145,994	89,403	56,591	70,738
	\$ 161,500	\$104,909	\$56,591	\$72,727

5. Mineral Properties and Rights and Deferred Exploration Costs

The Company has acquired certain mineral properties and rights, the costs of which are as follows:

Property	Property Costs	Deferred Exploration Costs	April 30, 2011	April 30, 2010
High Rock and Climpy Property	\$ 15,000	\$ 552,871	\$ 567,871	\$ 567,761
Red Bird Property	747,500	814,215	1,561,715	1,563,015
Grouse Mountain	33,435	27,128	60,563	52,353
Mount Copeland	329,978	623,275	953,253	935,670
Omineca	11,120	30,176	41,296	12,620
	\$ 1,137,033	\$ 2,047,665	\$ 3,184,698	\$ 3,131,419

6. Mineral Properties and Rights

High Rock and Climpy Property

The High Rock property and the Climpy property are gold prospects in northeast Manitoba located approximately 8 kilometers apart and cover approximately 1,544 hectares. The High Rock property consists of 9 mining claims covering 1,301 hectares and the Climpy property consists of one claim covering 243 hectares. Torch holds a 100% interest in all of the claims.

These claims do not include surface rights, but the use of such surface areas as may be required to carry out a mining operation can be obtained according to regulation. The claims have not been surveyed.

TORCH RIVER RESOURCES LTD.
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Notes to the Financial Statements
For the Second Quarter ended April 30, 2011

6. Mineral Properties and Rights (continued)

Red Bird Property

On July 8, 2005 the Company entered into an agreement with Red Bird Resources Ltd. (Red Bird") whereby the Company will have an option to acquire a 100% interest in a molybdenum/copper property consisting of 840 hectares located in the Skeena Mining Division of the Central Coastal region of British Columbia.

The option is subject to a 2.5% net smelter return ("NSR") royalty which shall be retained by the Optionor on the Property.

At May 31, 2008 the Company earned a 25% undivided interest in the property. Red Bird retains the sole right to negotiate future deals with third parties on 100% of the Red Bird Property.

Grouse Mountain

In July of 2007 the Company entered into an agreement with William Pfaffenberger to purchase six mineral (silver) claims covering a total of 1,574.5054 hectares at Grouse Mountain, British Columbia for a total of \$33,060 in cash.

Mount Copeland

On February 12, 2008, the Company entered into an agreement whereby the Company will have the option to acquire a 100% interest in a molybdenum/copper property consisting of two mineral claims covering a total of 730.112 hectares located in British Columbia.

The option is subject to a 2.75% net smelter royalty ("NSR") which shall be retained by the Optionor on the property.

The interest will be earned by the Company paying the following:

- (a)** \$15,000 upon signing the agreement **(paid)**
- (b)** \$10,000 on or before the 28th of April 2008 and \$25,000 together with 200,000 common shares on or before the 30th day of June **(paid and issued)**
- (c)** \$25,000 together with 200,000 common shares on or before the 28th day of April 2009 **(paid and issued)**
- (d)** \$100,000 together with 1,480,000 common shares on or before the 28th day of April 2010 **(paid and issued)**

On February 25, 2010 the Company amended the Mount Copeland option agreement. The original agreement required two payments of \$200,000 (before April 28th, 2010 and 2011 respectively) and the issuance of 900,000 common shares. The terms of the agreement were amended as shown in (d) above.

In addition to the foregoing, the Company is obligated to pay the following for work commitments:

- (a)** \$100,000 during the summer and fall of the 2008 calendar year but, in any event, on or before November 1, 2008 **(expended)**
- (b)** \$400,000 on or before November 1, 2009 **(expended)**

TORCH RIVER RESOURCES LTD.
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For the Second Quarter ended April 30, 2011

6. Mineral Properties and Rights (continued)

Omineca / Fort-Elden

In April, 2010, the Company announced that it had signed an option agreement (the "Omineca Option Agreement") with a private vendor under which Torch may earn a 100% interest in the 12 mineral claims comprising 1,611.5 hectares located in the Omineca Mining Division, Specularite Lake, B.C. Under the terms of the agreement, the Company shall earn up to a 100% interest in the Omineca Property by a one time payment to the vendor in the amount of \$10,000, spending up to \$250,000 on work programs over a period of forty-two (42) months and issuing up to an aggregate of two million shares to the vendor over the same time period.

The property size has been expanded from 1,611.5 to 1,836.2 hectares in April 2011.

7. Measurement Uncertainty

Apart from the Red Bird property impairment the Company has not experienced any property specific adverse impact to date on its operations. General mining market conditions have deteriorated, resulting in a decrease in the price of the Company's common shares, which in turn has created difficulty in raising sufficient equity capital to effectively explore or develop the Company's mineral property interests.

One or more of the issues described, or other factors beyond management's control, in future periods could adversely affect the Company's operations and could result in future potential or total write downs of the Company's recorded mineral property total interest of \$3,184,698 as at April 30, 2011. Such write-down amounts could be material.

8. Share Capital

The authorized share capital of the Company is:

- An unlimited number of voting common shares without par value.
- An unlimited number of non-voting first preferred shares.
- An unlimited number of non-voting second preferred shares.

At April 30, 2011 the Company's issued share capital was as follows:

	2011		2010	
	Number of shares	\$ Amount	Number of shares	\$ Amount
Common Shares				
Balance, beginning of quarter	60,272,657	10,458,308	54,692,657	10,212,972
Private placement March 31, 2010			2,000,000	100,000
Private placement, November 19,	1,250,000	100,000		
Private placement February 4, 2011	1,030,000	77,250		
Shares issued for property			1,480,000	74,000
Share issue costs		(5,647)		(3,519)
Subscription received in advance				
Flow-through shares (<i>Note 9</i>)				
Balance, end of quarter	62,552,657	10,629,911	58,172,657	10,383,453

TORCH RIVER RESOURCES LTD.
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8.Share Capital (continued)

Private Placements

On November 19, 2010 the Company closed a private placement of 1,250,000 units at a price of \$0.08 per unit for gross proceeds of \$100,000. Each unit consisted of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase one Common share of the Company at an exercise price of \$0.12 for a period of twenty four months from the closing of the offering.

On February 4, 2011, the Company closed a private placement for 1,030,000 units at a price of \$0.075 per unit for proceeds of \$77,250. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 for a period of twenty four months from the closing of the offering.

Options

The Company has established a stock based compensation plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and contractors of the Company as well as persons providing ongoing services to the Company. Exercise price of options equals at least the market price of the Company's stock on the date of grant. Stock options are exercisable on the day of grant and are for a two or five-year term in accordance with TSX Venture Exchange policy.

A summary of the status of the Company incentive stock option plan as at April 30, 2010 is as follows:

	2011		2010	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Outstanding, beginning of quarter	5,200,000	\$0.20	3,970,000	\$0.25
Granted	800,000	\$0.10	-	
Expired	-	-	(600,000)	\$0.24
Exercised	-	-	-	-
Outstanding, end of quarter	6,000,000	\$0.19	3,370,000	\$0.25

Options Granted

The Company has established a share option plan whereby options may be granted to directors, officers, contractors and consultants to purchase. Options granted have an exercise price of not less than the market price on the last trading day prior to the date of grant of the common shares on the stock exchange on which the shares are traded. Options granted vest upon grant and expire within two to five years from the date of the grant of options.

A total of 800,000 options were granted in the first quarter to directors and officers. The weighted-average grant date fair value of stock options granted during the year was \$.0273. There were no options granted in the three month period ended April 30, 2011.

TORCH RIVER RESOURCES LTD.
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Notes to the Financial Statements
For the Second Quarter ended April 30, 2011

8.Share Capital (continued)

Options Granted (continued)

A summary of the status of the company incentive stock option plan as at April 30, 2011 is as follows:

Number of Shares Under Option	Exercise Price	Expiry Date
120,000	\$0.18	August 25, 2011
100,000	\$0.135	January 17, 2012
500,000	\$0.16	March 7, 2012
1,000,000	\$0.38	May 15, 2012
670,000	\$0.32	June 6, 2012
320,000	\$0.18	February 17, 2013
280,000	\$0.16	May 29, 2013
380,000	\$0.12	July 29, 2013
1,830,000	\$0.10	August 5, 2015
800,000	\$0.10	January 3, 2016
<u>6,000,000</u>		

Warrants

The Company has completed private placements during the year. The funds were raised by the Company by attaching share purchase warrants to common shares sold and issuing share purchase warrants.

The following table summarizes recent changes in the number of warrants outstanding:

	2011		2010	
	Number of warrants	Weighted Average Exercise Price	Number of warrants	Weighted Average Exercise Price
Outstanding, beginning of year	4,100,000	\$0.10	3,368,363	\$0.27
Issued	1,655,000	\$0.10	2,000,000	0.15
Expired	-		(500,000)	(0.15)
Exercised	-			
Outstanding, end of year	5,755,000	\$0.10	3,368,363	\$0.23

At April 30, 2011 the following purchase warrants were outstanding:

<u>Number of Warrants</u>	<u>Purchase Price</u>	<u>Expiry Date</u>
2,000,000	\$0.10	March 31, 2015
2,100,000	\$0.10	May 6, 2012
625,000	\$0.10	November 19, 2012
<u>1,030,000</u>	\$0.10	February 03, 2013.
5,755,000		

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9. Related Party Transactions

During the quarter the Company incurred charges from directors. The total related party transactions for the year by financial statement category are summarized as follows:

	2011	2010
Management fees	\$ 9,000	\$ 9,000
Travel and promotion	-	-
Stock compensation	-	-
Meetings	-	-
	\$ 9,000	\$ 9,000

Included in the meetings expenses are reimbursements made to directors for expenditures incurred on behalf of the company.

These transactions occurred during the normal course of operations and were measured at the exchange amount, that is the amount established and accepted by the parties.

10. Contingency

A term deposit of \$46,000 has been pledged as security to the Scotia Bank for their irrevocable letter of credit in favor of the Province of British Columbia, Ministry of Energy and Mines.

11. Financial Instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the balance sheet date under its financial instruments is summarized as follows:

	April 30, 2011
Accounts and other receivables-	
Currently due	\$ 8,171
Past due by 90 days or less, not impaired	
Past due by greater than 90 days, not impaired	
	\$ 8,171
Cash and cash equivalents	84,100
	\$ 92,271

All of the Company's cash and cash equivalents are held with major financial institutions in Canada, and management believes the exposure to credit risk with such institutions is not significant. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash and term deposits are held. In the quarter ended April 30, 2011, no material provision has been recorded in respect of impaired receivables. The Company's maximum exposure to credit risk as at April 30, 2011, is the carrying value of its financial assets.

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11. Financial Instruments and risk management — continued

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in *Note 12*, in normal circumstances. Due to the lack of liquidity, management has increased its focus on liquidity risk given the impact of the current economic climate on the availability of finance. Further information regarding liquidity risk is set out in *Note 1*.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and amounts due to related parties, the contractual maturities of which at April 30, 2011, are summarized as follows:

	2011
Accounts payable and accrued liabilities with contractual maturities-	
Within 90 days or less	\$ 86,118
In later than 90 days, not later than one year	
Due to related parties with contractual maturities	
Within 90 days or less	42,000

Market Risks

The significant market risks to which the Company is exposed include commodity price risk, interest rate risk and foreign exchange risk.

- Commodity price risk
The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of molybdenum and copper and the outlook for these metals, as the Company's ability to raise capital is affected by the commodity prices that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.
- Interest rate risk
The Company has no significant exposure at April 30, 2011, to interest rate risk through its financial instruments.
- Currency risk
The Company has no significant exposure at April 30, 2011 to currency risk as all cash and cash equivalents are held in Canadian funds.

12. Management of capital

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard its ability to continue as a going concern in order to pursue the development of its mineral property interests.

The Company considers the items included in shareholders' equity to be capital. The Company relies on equity financing in order to fund future exploration and development and makes adjustments to the Company's capital structure based on financing needs, as well as in response to economic conditions and the risk characteristics of the underlying assets. Management makes adjustments to its capital structure through share issuances and the acquisition or disposition of assets.

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12. Management of capital (continued)

As the Company is in the exploration stage it endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

The Company does not currently have sufficient funds for operations and must rely on equity financing to continue exploration and development work and to meet its administrative overhead costs for the coming year (see *Note 1* and *Note 13*).

The Company facilitates the management of capital through the preparation of annual expenditure budgets and cash forecasts that are updated as necessary. The Company does not have any externally imposed capital requirements.

13. Subsequent events

On May 27, 2011, the Company announced the closing of its non-brokered private placement for 5,400,000 shares at a price of \$0.05 per unit for a total of \$270,000. This comprised of 3,400,000 flow through units and 2,000,000 non flow through units. The flow through units carried one-half warrant per share and the non flow through units a full warrant. Each warrant entitles the holder to purchase one Common Share of the corporation at an exercise price of \$0.10 for a period of twenty four (24) months from the closing of the Offering.

On May 27, 2011, the Company advised that drilling would commence at the Fort Elden property in June 2011, and a drill program is planned for Mount Copeland in September 2011.