ZENYATTA VENTURES LTD.
(A DEVELOPMENT STAGE ENTITY)

FINANCIAL STATEMENTS

For the Years Ended March 31, 2011 and 2010

ZENYATTA VENTURES LTD.
(A DEVELOPMENT STAGE ENTITY)

March 31, 2011 and 2010

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McGovern, Hurley, Cunningham, LLP
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zenyatta Ventures Ltd.

We have audited the accompanying financial statements of Zenyatta Ventures Ltd., which comprise the balance sheets as at March 31, 2011 and 2010, and the statements of operations, comprehensive loss and deficit, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Zenyatta Ventures Ltd. as at March 31, 2011 and 2010, and its financial performance and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
July 14, 2011

ZENYATTA VENTURES LTD.
(A DEVELOPMENT STAGE ENTITY)

BALANCE SHEETS

	March 31, 2011	March 31, 2010
ASSETS		
Current		
Cash	**$ 550,379**	$ 2,119,186
Temporary investments (note 7)	**8,546,777**	400,184
GST/HST receivable	**132,860**	33,107
Prepaid expenses	**25,021**	7,000
	9,255,037	2,559,477
Future income taxes (note 12)	**-**	62,500
Equipment (note 4)	**23,816**	-
Interest in mineral properties and deferred exploration costs (note 3)	**2,870,999**	574,621
	$ 12,149,852	$ 3,196,598
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 10)	**$ 696,464**	$ 155,901
Future income taxes (note 12)	**315,200**	-
	1,011,664	155,901
SHAREHOLDERS' EQUITY		
Share capital (note 6)	**10,844,675**	2,592,395
Warrants (note 6 ii)	**1,167,403**	596,253
Contributed surplus (note 6 iii)	**516,083**	-
Deficit	**(1,389,973)**	(147,951)
	11,138,188	3,040,697
	$ 12,149,852	$ 3,196,598

Going Concern (note 1)
Commitments and Contingencies (notes 3 and 11)
See accompanying notes to the financial statements

Approved on behalf of the board:

"Aubrey Eveleigh" — Director

"Barry Allan" — Director

ZENYATTA VENTURES LTD.
(A DEVELOPMENT STAGE ENTITY)

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	Year Ended March 31, 2011	Year Ended March 31, 2010
EXPENSES		
Investor relations and promotion (note 10)	**$ 53,542**	$ 14,124
Contract and management services (note 10)	**210,672**	64,839
Stock-based compensation costs (note 6 iii)	**516,083**	-
Consulting fees	**19,180**	14,000
Stock exchange and filing fees	**66,257**	-
Professional fees	**160,511**	59,157
Amortization	**6,492**	-
General and administrative	**512,829**	1,415
	1,545,566	153,535
LOSS BEFORE THE FOLLOWING ITEM	**(1,545,566)**	(153,535)
OTHER INCOME		
Interest income	**25,844**	184
LOSS BEFORE INCOME TAXES FOR THE YEAR	**(1,519,722)**	(153,351)
Future income tax recovery (note 12)	**277,700**	5,400
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**(1,242,022)**	(147,951)
DEFICIT - BEGINNING OF YEAR	**(147,951)**	-
DEFICIT - END OF YEAR	**$(1,389,973)**	$ (147,951)
LOSS PER SHARE – basic and diluted (note 5)	**$ (0.04)**	$ (0.06)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES – basic and diluted (note 5)	**27,480,771**	2,405,071

See accompanying notes to the financial statements

ZENYATTA VENTURES LTD.
(A DEVELOPMENT STAGE ENTITY)

STATEMENTS OF CASH FLOWS

	Year Ended March 31, 2011	Year Ended March 31, 2010
OPERATING ACTIVITIES		
Net loss for the year	$(1,242,022)	$(147,951)
Amortization	6,492	-
Future income tax recovery	(277,700)	(5,400)
Stock-based compensation	516,083	-
Change in non-cash operating working capital items		
Accrued interest income	(21,593)	(184)
GST/HST receivable	(99,753)	(33,107)
Prepaid expenses	(18,021)	(7,000)
Accounts payable and accrued liabilities	51,954	155,901
	(1,084,560)	(37,741)
INVESTING ACTIVITIES		
Purchase of equipment	(30,308)	-
Redemption (purchase) of temporary investments	(8,125,000)	(400,000)
Interest in mineral properties and deferred exploration costs	(1,497,769)	(574,621)
	(9,653,077)	(974,621)
FINANCING ACTIVITIES		
Issuance of share capital	10,256,851	2,804,169
Issuance of warrants	19,608	555,879
Share issue costs	(1,107,629)	(228,500)
	9,168,830	3,131,548
INCREASE (DECREASE) IN CASH	(1,568,807)	2,119,186
CASH - BEGINNING OF YEAR	2,119,186	-
CASH - END OF YEAR	$ 550,379	$2,119,186
SUPPLEMENTAL INFORMATION:		
Income taxes paid	**$ -**	$ -
Interest paid	**$ -**	$ -
Warrants issued for services	**$ -**	$ 40,374
Change in accrued exploration property expenditures	**$ 488,609**	$ -
Units issued for property interest	**$ 310,000**	$ -
Broker warrants issued	**$ 441,542**	$ -

See accompanying notes to the financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Zenyatta Ventures Ltd. (the "Company") was incorporated as 1774119 Ontario Limited on July 29, 2008 under the laws of the province of Ontario. The Company changed its name to Zenyatta Ventures Ltd. on November 24, 2009. The shares of the Company began trading on the TSX Venture Exchange in December 2010. The principal business of the Company is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified, to negotiate an acquisition or participation.

The Company, which is in the development stage as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11 "Enterprises in the Development Stage", is engaged in the acquisition, exploration and development of properties for the mining of precious and base metals. The Company is in the process of exploring its resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The recovery of the amounts shown for the mineral properties and the related deferred expenditures is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the exploration, and upon future profitable production.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

These financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability of the Company to obtain necessary financing, and the ability of the Company to identify, evaluate, and negotiate an acquisition of, a participation in or an interest in properties, assets, or businesses. Management feels that sufficient working capital will be obtained from public share offerings to meet the Company's liabilities and commitments as they come due. These financial statements do not reflect any adjustments to amounts that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICES

The accompanying financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and their basis of application is consistent with that of the previous year except where disclosed below.

The significant policies are detailed as follows:

Cash and Cash Equivalents

The Company's policy is to disclose cash, bank account balances and investment-grade deposit certificates with original maturities of three months or less as cash and cash equivalents. Cash and cash equivalents are held in Canadian chartered banks or financial institutions controlled by a Canadian chartered bank. The Company did not have any cash equivalents as at March 31, 2011 and 2010.

Temporary Investments

Temporary investments consist of investment-grade deposit certificates with original maturities greater than three months but less than one year. Temporary investments are held in Canadian chartered banks or financial institutions controlled by a Canadian chartered bank.

Revenue Recognition

Interest income is recorded on an accrual basis when earned.

Interest in Mineral Properties and Deferred Exploration Costs

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production or written down if the properties are allowed to lapse, are abandoned, or are otherwise deemed to be impaired.

The Company reviews capitalized costs on its property interests on a periodic basis and recognizes an impairment in value based upon a review of exploration results, whether the Company has significant exploration plans in the immediate future, and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks and the Company's ability to attain profitable production. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to zero with any excess credited to operations. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

2. SIGNIFICANT ACCOUNTING POLICES, continued

Asset Retirement Obligations

The fair values of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. The Company did not have any material asset retirement obligations as at March 31, 2011 and 2010.

General and Administration Expenses

The Company charges all general and administrative expenses not directly related to exploration activities to operations as incurred.

Warrants

Warrants are recorded at their fair value on the date of issue, net of issue costs. The Company uses the Black-Scholes option pricing model to estimate the fair value of warrants issued. On the exercise of warrants, consideration received and the accumulated warrant value attributed to the portion exercised is credited to share capital.

Stock-Based Compensation

The Company uses the fair value-based method of accounting for stock-based compensation awards based on the Black-Scholes option pricing model with the portion of the fair value of the granted option related to vesting for the period charged to expense with the offset to contributed surplus. On the exercise of stock options, consideration received and the accumulated contributed surplus attributed to the portion exercised is credited to share capital.

Loss per Share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of warrants and options that would increase earnings per share or decrease loss per share. The outstanding stock options and warrants to purchase common shares disclosed in note 6 were not included in the computation of the diluted loss per share for the periods presented because the effect would be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICES, continued

Flow-Through Financing

The Company issues flow-through common shares pursuant to private placements. Under this arrangement, shares are issued which transfer the tax deductibility of mineral property exploration expenditures to investors. Proceeds received on the issuance of these shares are credited to share capital and the related exploration costs are charged to deferred exploration costs in the period in which they are incurred. Resource expenditure deductions for income tax purposes, related to exploration and development activities funded by flow-through share arrangements, are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

Leases

Leases have been classified as either capital or operating. A lease which transfers substantially all of the benefits and risks incidental to the ownership of property is accounted for as if it were an acquisition of an asset and the incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are charged to earnings as incurred. Assets recorded under capital leases are amortized on a diminishing balance basis over their estimated useful lives. As at March 31, 2011 and 2010, the Company did not have any capital leases.

Financial Instruments

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depend on their initial classification:

Held for trading financial instruments are measured at fair value. All gains and losses are included in operations in the period in which they arise.

Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in operations.

Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.

All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in operations in the period in which they arise.

The Company classifies fair value measurements 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: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2. SIGNIFICANT ACCOUNTING POLICES, continued

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimates of asset retirement obligations and reclamation costs. Other significant areas requiring the use of management estimates relate to the determination of impairment of assets, expected tax rates for future income tax recoveries and the valuation of warrants and stock options. Actual results could differ from those estimates and these differences could be material.

Income Taxes

The Company uses the asset and the liability method of accounting for income taxes. Under this method of tax allocation, future income taxes are determined based on the differences between the financial reporting amounts and tax bases of assets and liabilities. These income tax assets and liabilities are measured using the enacted or substantively enacted tax rates that are expected to be in effect in the periods in which the income tax assets and liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

Equipment

Equipment is recorded at cost. The Company provides for amortization using the declining balance method at rates designed to amortize the cost of the property and equipment over their estimated useful lives. One half year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual rates are as follows:

Computers	20%
Computer software	100%
Office furniture and equipment	20%

Future Accounting Changes

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS for its fiscal year beginning April 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICES, continued

Future Accounting Changes, continued

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests
The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact that these new standards may have on the financial statements of the Company.

3. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

Albany Property

During the year ended March 31, 2010, the Company signed an option agreement which was subsequently superseded and replaced effective November 2, 2010 (the “Albany Agreement”), to earn an interest in the Albany Property located in Northern Ontario. Under the terms of the Albany Agreement, the Company can acquire, upon exercise of the first option, a 25% interest in the Albany Property, and upon exercise of the second option, an additional 55% interest in the Albany Property. The first option was exercised after completion of a helicopter-borne geophysical survey on the property and issuance of 1,000,000 units to the option grantor, each unit being comprised of one common share and one warrant to purchase one additional common share at a price of $1.50 any time before December 23, 2015.

The second option can be exercised after making certain payments totaling $195,000 ($30,000 before July 1, 2010, (paid), and $55,000 on each of July 1, 2011 (paid subsequent to year end), July 1, 2012, and July 1, 2013) and incurring aggregate expenses on the property of not less than $10,000,000 before July 1, 2014. The Albany Agreement provides a clawback right that allows the optionor to reduce the Company's interest in the property to 30% subsequent to the exercise of the second option. The optionor is a significant shareholder of the Company.

3. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS, continued

The Albany Property is subject to payment of a 2.0% net smelter return royalty ("NSR"), which may be reduced to 1.0% upon payment of $1,000,000, and success fees of $250,000 upon commencement of the first pre-feasibility study and $500,000 upon commencement of each additional pre-feasibility study. The net smelter return royalty and the success fees are payable to a corporation controlled by the President, Chief Executive Officer and Director of the Company.

	Balance, March 31, 2009	Expenditures	Balance, March 31, 2010	Expenditures	**Balance, March 31, 2011**
Albany Property	$ -	$ 574,621	$ 574,621	$2,296,378	**$ 2,870,999**

Acquisition costs comprise $340,000 of the Albany Property balance as at March 31, 2011 (2010 - $Nil). The remaining balances are comprised of exploration expenditures.

4. EQUIPMENT

	March 31, 2011			**March 31, 2010**
	Cost	Accumulated amortization	Net	Net
Computers	**$ 13,867**	**$ 2,773**	$ 11,094	$ -
Computer software	**538**	**538**	-	-
Office furniture and equipment	**15,903**	**3,181**	12,722	-
	$ 30,308	**$ 6,492**	$ 23,816	$ -

5. LOSS PER SHARE

Basic loss per share figures are calculated using the weighted average number of common shares outstanding. The weighted average number of common shares issued and outstanding for the year ended March 31, 2011 is 27,480,771 (2010: 2,405,071). Diluted loss per share figures are calculated after taking into account all warrants and stock options granted. Exercise of the outstanding warrants and stock options would be anti-dilutive with respect to loss per share calculations, and therefore diluted loss per share is equal to basic loss per share. The number of potentially dilutive common shares resulting from the exercise of outstanding warrants and stock options that were not included in the calculation of fully diluted loss per share was 17,330,549 (2010 – 12,394,000).

6. CAPITAL STOCK, WARRANTS AND STOCK OPTIONS

Authorized without nominal or par value
Unlimited number of common shares

Changes in share capital	Number	Amount
Balance March 31, 2009	-	$ -
Founders' shares issued (i)	4,800,000	48
Common shares issued (i)	5,250,000	525,000
Flow-through units issued (i)	1,000,000	250,000
Units issued (i)	10,340,000	2,585,000
Less: share issue costs, net of future tax	-	(211,774)
Less: warrant valuation (ii)	-	(555,879)
Balance March 31, 2010	21,390,000	2,592,395
Flow-through shares issued (i)	5,582,713	3,457,899
Common shares issued (i)	11,197,600	6,718,560
Units issued (i)	400,000	100,000
Units issued for property interest (i)	1,000,000	310,000
Less: share issue costs, net of future tax	-	(1,277,671)
Less: flow-through share tax effect (i)	-	(926,900)
Less: warrant valuation (ii)	-	(129,608)
Balance March 31, 2011	39,570,313	$ 10,844,675

6. CAPITAL STOCK WARRANTS AND STOCK OPTIONS, continued

(i) Common Shares

During the year ended March 31, 2011, the Company completed various private placement financings and an Initial Public Offering ("IPO") on the TSX Venture Exchange.

In the private placement financings, a total of 400,000 units and 1,000,000 flow-through shares were issued at $0.25 each for gross proceeds of $350,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $1.00 for a period of 24 months. A director of the Company subscribed for 300,000 units for gross proceeds of $75,000.

Another 1,000,000 units valued at $310,000 were issued in connection with the Albany Agreement. Each such unit is comprised of one common share and one common share purchase warrant exercisable at $1.50 any time before December 23, 2015.

In the IPO, 11,197,600 common shares were issued at $0.60 each for gross proceeds of $6,718,560 and 4,582,713 flow-through shares were issued at $0.70 each for gross proceeds of $3,207,899. 1,261,549 warrants valued at $441,542 were also issued as commissions in connection with the IPO. Each common share purchase warrant is exercisable at $0.60 any time before December 23, 2012. A director and officer of the Company and the spouse of the same director and officer subscribed for an aggregate of 113,000 flow-through shares for gross proceeds of $79,100, and a director of the Company subscribed for an aggregate of 110,000 flow-through shares for gross proceeds of $77,000 pursuant to the IPO.

In January and February 2011, the Company renounced, with an effective date of December 31, 2010, $3,707,899 of Canadian exploration expenditures related to the proceeds from the issuance of flow-through shares. As a result, an amount of $926,900 was debited to capital stock with a corresponding increase in future tax liabilities.

During the year ended March 31, 2010, the Company issued 4,800,000 common shares to founders of the Company for cash proceeds of $48. The Company also completed the following private placement financings:

(a) The Company issued 5,250,000 common shares at a price of $0.10 per share for gross proceeds of $525,000. A director, an officer, and the spouse of an officer and director of the Company subscribed for an aggregate of 1,075,000 common shares for gross proceeds of $107,500 pursuant to this private placement.

(b) The Company issued 1,000,000 units at a price of $0.25 per unit for gross proceeds of $250,000. Each unit consisted of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at $1.00 for a period of 24 months after the listing of the common shares on a prescribed stock exchange.

(c) The Company issued 10,340,000 units at a price of $0.25 per unit for gross proceeds of $2,585,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at $1.00 for a period of 24 months after the listing of the common shares on a prescribed stock exchange. The optionor described in note 3 subscribed for 2,200,000 units for gross proceeds of $550,000 pursuant to this private placement.

6. CAPITAL STOCK WARRANTS AND STOCK OPTIONS, continued

(ii) Warrants

The Company issued warrants during the years ended March 31, 2011 and 2010 in connection with its private placements, IPO, and in connection with the units issued for the Albany Property as described in Note 6(i),

	Year ended March 31, 2011			Year ended March 31, 2010		
	Warrants Outstanding	**Weighted Average Exercise price**	**Grant Date Fair Value**	Warrants Outstanding	Weighted Average Exercise Price	Grant Date Fair Value
Balance, beginning of period	**12,394,000**	**$0.94**	**$596,253**	-	$ -	$ -
Finders warrants issued during the period (1)	**-**	**-**	**-**	1,054,000	0.25	40,374
Broker warrants issued during the period	**1,261,549**	**0.60**	**441,542**	-	-	-
Warrants issued during the period	**1,400,000**	**1.36**	**129,608**	11,340,000	1.00	555,879
Balance, end of period	**15,055,549**	**$0.95**	**$1,167,403**	12,394,000	$0.94	$ 596,253

(1) Finders' warrants exercisable into units, each unit comprised of one common share and one common share purchase warrant exercisable at $1 for a period of 24 months.

The fair values of the warrants issued during the years ended March 31, 2011 and 2010 were estimated on the various dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0% (2010 – 0%); expected volatility of 113% (2010 – 113%); risk-free interest rate of 1.84% (2010 – 1.00%); and expected life of 3.13 years (2010 – 2.00 years).

As at March 31, 2011, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
December 23, 2012	$1.00	11,340,000
December 23, 2012 (Finders' warrants)	$0.25	1,054,000
May 13, 2012	$1.00	300,000
June 17, 2012	$1.00	100,000
December 23, 2015	$1.50	1,000,000
December 23, 2012	$0.60	1,261,549
		15,055,549

6. CAPITAL STOCK WARRANTS AND STOCK OPTIONS, continued

(iii) Stock Options and Contributed Surplus

The Company has a stock option plan (the "Plan") for directors, officers, employees and consultants. The Plan authorizes the granting of options to purchase up to a maximum of 10% of the issued and outstanding common shares at the time of grant, of which 2,275,000 options are currently outstanding.

The Plan provides that:

a) any options granted pursuant to the Plan shall expire no later than ten years after the date of grant;
b) any options granted pursuant to the Plan shall be non-assignable and non-transferable;
c) the number of common shares issuable pursuant to the Plan to any one person in any 12 month period shall not exceed 5% of the outstanding common shares;
d) the number of common shares issuable pursuant to the Plan to any one consultant in any 12 month period may not exceed 2% of the outstanding common shares;
e) the number of common shares issuable pursuant to the Plan to persons employed in investor relation activities may not exceed 2% of the outstanding common shares in any 12 month period.
f) the Plan provides that options shall expire and terminate 90 days following the date the optionee ceases to be an employee, director or officer of, or consultant to, the Company, provided that if such termination is as a result of death of the optionee, the optionee's personal representative shall have one year to exercise such options.
g) the number of common shares: (1) reserved for issuance to insiders of the Company may not exceed 10% of the issued and outstanding common shares; and (2) which may be issued to insiders within a one year period may not exceed 10% of the issued and outstanding common shares.
h) the Plan provides that options granted under the plan shall vest in the optionee, and may be exercisable by the optionee as follows: (1) 1/3 on the date of granting; (2) 1/3 12 months from the date of granting; (3) 1/3 twenty-four months from the date of granting.

The Company issued stock options during the year ended March 31, 2011 to a number of its directors, officers, employees, and consultants. 2,275,000 stock options with an exercise price of $0.60 and an expiry date of December 23, 2015 were issued and are outstanding at March 31, 2011. The balance of contributed surplus as a result of recognizing this stock-based compensation was $516,083. The weighted average grant date fair value of the stock options issued during the year ended March 31, 2011 was $0.48. The remaining contractual life of the stock options issued and outstanding at March 31, 2011 was 4.73 years.

The Company applies the fair value method of accounting for stock-based compensation awards to directors, officers, employees and non-employees. Accordingly $250,521 is recorded as compensation expense and under capital stock as contributed surplus for the 500,000 options vesting to directors, officers, and employees during the period and $129,436 is recorded as compensation expense and under capital stock as contributed surplus for the 258,333 options vesting to non-employees during the year. Additional amounts recognized in the year for the options scheduled to vest on December 24, 2011 were $89,753 and $46,373 for those issued to directors, officers, and employees, and to non-employees, respectively. The fair value of the options issued during the year ended March 31, 2011 was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 113%; risk-free interest rate of 1.46%; and expected life of 5 years.

6. CAPITAL STOCK WARRANTS AND STOCK OPTIONS, continued

(iii) Stock Options and Contributed Surplus, continued

As at March 31, 2011, the following stock options were outstanding:

Expiry Date	Exercise Price	Number of Options Issued	Number of Options Exercisable
December 23, 2015	$0.60	2,275,000	758,333
	$0.60	2,275,000	758,333

(iv) Securities Held in Escrow

9,225,000 common shares and 4,027,000 warrants of the Company held by Principals (as defined by the TSXV) of the Company prior to the completion of the IPO were held in escrow. 10% of such securities were released upon completion of the IPO, and 15% will be released every six months thereafter, subject to acceleration provisions provided for in National Policy 46-201 – Escrow for Initial Public Offerings. In addition, 14,565,000 shares and 9,240,000 warrants held by non-principals prior to the completion of the IPO are subject to resale restrictions imposed by the TSXV. 150,000 of such shares are subject to the release schedule noted above; 4,175,000 of such shares are subject to a one-year hold period with 20% released every three months, the first release being the completion of the IPO; and 10,240,000 of such shares along with 9,240,000 of such warrants are subject to a four-month hold period with 20% released every month, the first release being the completion of the IPO. As at March 31, 2011, 12,990,500 shares and 5,472,300 warrants were held in escrow.

7. TEMPORARY INVESTMENTS

	March 31, 2011	March 31, 2010
Guaranteed investment certificates		
Cashable, 0.3%, maturing February 4, 2011	$ -	$ 400,000
Non-cashable, 1.3%, maturing July 5, 2011	3,000,000	-
Non-cashable, 1.55%, maturing November 15, 2011	25,000	-
Cashable, variable rate, maturing January 6, 2012	5,500,000	-
Accrued interest	21,777	184
	$8,546,777	$ 400,184

8. FINANCIAL INSTRUMENTS AND RISK FACTORS

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Company has designated its temporary investments as held-for-trading, which are measured at fair value. Financial instruments include cash and GST/HST receivable, which are classified as loans and receivables and measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at March 31, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately the same, due to their short term nature.

At March 31, 2011, the Company's financial instruments that are carried at fair value, consisting of temporary investments, have been classified as Level 1 within the fair value hierarchy.

Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

(i) Credit risk

The Company's credit risk is primarily attributable to cash, temporary investments, and GST/HST receivable. The Company has no significant concentration of credit risk arising from operations. GST/HST receivable is comprised of amounts due from the Federal Government of Canada. The Company's cash and temporary investments are held with reputable financial institutions. Management believes that the credit risk concentration with respect to cash, temporary investments, and GST/HST receivable is remote.

(ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of March 31, 2011, the Company had a cash balance of $550,379 as well as $8,546,777 in temporary investments (2010: $2,119,186 cash and $400,184 temporary investments) to settle current liabilities of $696,464 (2010: $155,901). The Company's ability to continue operations and fund its exploration property expenditures is dependent on management's ability to secure additional financing. Management is continuing to pursue various financing initiatives in order to provide sufficient cash flow to finance operations as well as funding its exploration expenditures. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

8. FINANCIAL INSTRUMENTS AND RISK FACTORS, continued

(iii) Interest rate risk
The Company has cash balances and temporary investments. 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 credit ratings of its banks. The Company closely monitors interest rates to determine the appropriate course of action to be taken by the Company.

(iv) Price risk
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

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

Temporary investments are invested in guaranteed investment certificates. Sensitivity to a plus or minus 1% change in rates, based on the current balance of temporary investments, would affect the net loss by approximately plus or minus $85,250 during a twelve-month period.

9. CAPITAL DISCLOSURE

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company's capital management objectives, policies and processes have remained unchanged during the year ended March 31, 2011.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. 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. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company is subject to externally imposed capital requirements on capital raised through the issuance of flow-through common shares. Capital raised through the issuance of flow-through common shares must be utilized for exploration and project development activities. (See note 11)

10. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2011, a corporation controlled by a director and officer of the Company charged the following amounts: $210,672 (2010: $64,839) for contract and management services; $29,457 (2010: $12,828) for investor relations and promotion; and $28,086 (2010: $Nil) for equipment.

As at March 31, 2011, $Nil (2010: $83,000) included in accounts payable and accrued liabilities was owing to a corporation controlled by a director and officer of the Company.

The above transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts owing to the related parties are unsecured, non-interest bearing with no fixed terms of repayment.

See also notes 3 and 6(i).

11. COMMITMENTS AND CONTINGENCIES

Leases
On March 16, 2010, the Company entered into a lease for commercial premises. The lease term is for a period of three years expiring March 31, 2013. The Company must pay $3,500 per month under the terms of the lease.

On January 17, 2011, the Company entered into two leases for vehicles. The lease terms are for a period of two years expiring January 16, 2013. The Company must pay an aggregate of $1,330 per month under the terms of the leases.

Minimum lease payments to the expiration of the leases are as follows:

2012	$ 57,960
2013	55,300

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

Vendor Dispute
The Company has a dispute with one of its vendors with respect to fees in the amount of approximately $78,000 charged for drilling services. The Company does not believe this amount to be payable and is currently in discussions with the vendor to resolve this dispute.

11. COMMITMENTS AND CONTINGENCIES, continued

Flow-Through Expenditures
In March and April of 2010, the Company issued a total of 2,000,000 flow-through shares for proceeds of $500,000. As of March 31, 2011, the Company had expended all of these flow through funds.

In December 2010, the Company issued a total of 4,582,713 flow-through shares for proceeds of $3,207,899. As of March 31, 2011, the Company had expended $977,594 of these flow through funds. The Company is required to incur the balance of $2,230,305 by December 31, 2011.

The Company has indemnified the subscribers for any tax related amounts that become payable by the subscriber as a result of the Company not meeting its expenditure commitments.

Employment Agreement
The Company's President and Chief Executive Officer is the only officer who currently has an employment agreement with the Company with a change of control provision. The agreement, dated August 1, 2010, provides that in the event that the employment is terminated by the Company other than for cause, or within six months of a change of control of the Company, then the officer is entitled to (i) a lump sum payment equal to the greater of 24 months' salary or six months' salary for each year or partial year of service, (ii) all outstanding and accrued regular and vacation pay and expenses and (iii) the immediate vesting of his options which shall continue to be available for exercise for a period of 30 days following the date of termination. The current salary level for this individual pursuant to the employment agreement is $225,000 per annum.

Exploration Agreement
The Company has entered into an agreement with Constance Lake First Nation ("CLFN") governing the relationship between them in regard to the Company's exploration on traditional lands of CLFN, pursuant to which, the Company has the following commitments.

Cost of Implementation Committee:
On a yearly basis, commencing on the date that the Implementation Committee is formed and continuing for the following twelve (12) months, the Company shall make a total contribution of $22,000, and in years following the year in which this agreement is executed, an additional amount equivalent to the increase in the Ontario consumer price index for the preceding year, to pay: the reasonable expenses of the Implementation Committee members and the reasonable costs of an archaeologist for any archaeological assessments.

Cost of Annual Gathering:
The Company will pay on an annual basis, $1,200, and in years following the year in which this agreement is executed, an additional amount equivalent to the increase in the Ontario consumer price index for the preceding year, for CLFN and the Company to have a community "feast" and conduct an information session with CLFN members about the exploration, this agreement and any issues pertaining to this agreement's implementation.

Cost of Community Support:
The Company will pay $60,000 respecting the first 30 drill targets in the Company's exploration on the Albany Property, such funds to be provided to a social fund for the benefit of the children, youth and elders in the CLFN community. Payment of the $60,000 will be made in six monthly $10,000 installments in October, November and December 2011 and April, May and June 2012.

12. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 31% (2010 – 31%) are as follows:

	2011 $	2010 $
Loss before income taxes	**(1,519,722)**	**(153,351)**
Expected income tax recovery	**(471,100)**	**(47,500)**
Adjustments to benefit resulting from:		
Stock-based compensation	**160,000**	**-**
Share issue costs	**(271,500)**	**(57,100)**
Changes in tax rates	**66,300**	**9,200**
Change in valuation allowance	**(32,900)**	**32,900**
Tax effect of share issue cost charged to common shares	**271,500**	**57,100**
Future income tax (recovery)	**(277,700)**	**(5,400)**

(b) Future income tax balances

The tax effects of temporary differences that give rise to future income tax assets and liabilities in Canada at March 31, 2011 and 2010 approximate the following:

Future income tax assets	2011 $	2010 $
Non capital losses	**68,000**	**11,400**
Equipment	**1,600**	**-**
Resource properties	**(636,300)**	**38,300**
Share issue costs	**251,500**	**45,700**
Less: Valuation allowance	**-**	**(32,900)**
Future income tax asset (liability)	**(315,200)**	**62,500**

(c) The Company has available non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses of approximately $281,000 will expire as follows:

Year	Amount $
2030	**46,000**
2031	**235,000**
	281,000

12. INCOME TAXES, continued

The Company has approximately $3,087,000 of Canadian development and exploration expenditures as at March 31, 2011 (2010: $728,000), which under certain circumstances may be utilized to reduce the taxable income of future years.

The Company has share issue costs of approximately $1,005,000 (2010: $183,000) which have not yet been deducted for income tax purposes.