ZENYATTA VENTURES LTD.

CONDENSED INTERIM
FINANCIAL STATEMENTS

For the nine months ended December 31, 2011 and 2010

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

Management has prepared the information and representations in this interim report. The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgement. The financial information presented throughout this report is consistent with the data presented in the condensed interim financial statements.

Zenyatta Ventures Inc. maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors. This Committee meets periodically with management and the external auditors to review accounting, auditing, internal control and financial reporting matters.

Aubrey Eveleigh
Chief Executive Officer

Tom Mustapic
Chief Financial Officer

DECEMBER 31, 2011 AND 2010 **PAGE**

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ZENYATTA VENTURES LTD.
CONDENSED INTERIM UNAUDITED STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)	December 31, 2011 $	March 31, 2011 $ [note 15]
ASSETS		
Non-current assets		
Property and equipment [note 3]	**79,135**	23,816
Exploration and evaluation assets [note 4]	**7,004,406**	2,870,999
Total non-current assets	**7,083,541**	2,894,815
Current assets		
Cash	**1,715,027**	550,379
Temporary investments [note 5]	**2,539,621**	8,546,777
Accounts and other receivables	**313,079**	132,860
Prepaids and deposits	**16,774**	25,021
Total current assets	**4,584,501**	9,255,037
Total Assets	**11,668,042**	12,149,852
LIABILITIES		
Non-current liabilities		
Deferred taxes [note 8]	**72,500**	315,200
Total non-current liabilities	**72,500**	315,200
Current liabilities		
Accounts payable and accrued liabilities [note 6]	**1,171,328**	696,464
Other liabilities [note 15]	**-**	318,615
Total current liabilities	**1,171,328**	1,015,079
Total liabilities	**1,243,828**	1,330,279
EQUITY		
Share capital [note 7]	**11,313,304**	11,313,304
Warrants [note 7]	**1,167,403**	1,167,403
Share-based payment reserve [note 7]	**917,480**	516,083
Deficit	**(2,973,973)**	(2,177,217)
Total equity	**10,424,214**	10,819,573
Total equity and liabilities	**11,668,042**	12,149,852

Going Concern (note 1)
Commitments and Contingencies (note 13)

See accompanying notes to the condensed interim unaudited financial statements

ZENYATTA VENTURES LTD.

CONDENSED INTERIM UNAUDITED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Stated in Canadian Dollars)	Three Months Ended December 31, 2011 $	Three Months Ended December 31, 2010 $	Nine Months Ended December 31, 2011 $	Nine Months Ended December 31, 2010 $
EXPENSES				
Amortization	**4,685**	715	13,965	1,101
Consulting fees	**4,000**	4,000	9,000	4,000
Contract and management services [note 10]	**-**	-	-	212,338
General and administrative	**197,246**	172,866	614,161	289,907
Investor relations and promotion [note 10]	**4,806**	14,079	11,599	39,573
Professional fees	**31,682**	33,543	337,476	94,571
Stock-based compensation costs	**129,145**	379,957	401,397	379,957
Stock exchange and filing fees	**-**	51,007	3,345	58,507
Loss from operating activities	**371,564**	656,167	1,390,943	1,079,954
Interest revenue	**5,024**	1,243	32,872	2,996
Loss before income taxes	**366,540**	654,924	1,358,071	1,076,958
Deferred tax expense (recovery)	**(59,300)**	(152,100)	(561,315)	(207,300)
Loss for the period, being total comprehensive loss for the period	**307,240**	502,824	796,756	869,658
Basic and diluted loss per share [note 14]	**0.01**	0.02	0.02	0.04

See accompanying notes to the condensed interim unaudited financial statements

ZENYATTA VENTURES LTD.
CONDENSED INTERIM UNAUDITED STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars) **FOR THE NINE MONTHS ENDED DECEMBER 31**	**2011** **$**	**2010** **$**
OPERATING ACTIVITIES		
Loss for the period	(796,756)	(869,658)
Items not affecting cash		
Amortization	13,965	1,101
Stock-based compensation	401,397	379,957
Deferred tax expense (recovery)	(561,315)	(207,300)
	(942,709)	(695,900)
Net change in non-cash working capital balances [note 9]	(322,324)	57,732
Cash used in operating activities	(1,265,033)	(638,168)
INVESTMENT ACTIVITIES		
Mineral exploration and evaluation expenditures	(3,501,035)	(961,770)
Purchase of temporary investments	-	(125,000)
Redemption of temporary investments	6,000,000	-
Purchase of equipment	(69,284)	(5,184)
Cash provided by (used in) investment activities	2,429,681	(1,091,954)
FINANCING ACTIVITIES		
Common shares issued	-	10,256,851
Warrants issued	-	19,608
Share issue costs	-	(1,107,629)
Cash provided by financing activities	-	9,168,830
Increase (decrease) in cash during period	1,164,648	7,438,708
Cash, beginning of period	550,379	2,119,186
Cash, end of period	1,715,027	9,557,894

Supplementary disclosures - see note 9

See accompanying notes to the condensed interim unaudited financial statements

ZENYATTA VENTURES LTD.
CONDENSED INTERIM UNAUDITED STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)	Number of Shares	Share Capital $	Warrants $	Share-Based Payment Reserve $	Deficit $	Total Equity $
Balance as at April 1, 2010	21,390,000	2,592,395	596,253	-	(147,951)	3,040,697
Issuance of units [note 7]	400,000	100,000	-	-	-	100,000
Issuance of flow-through shares [note 7]	5,582,713	2,999,628	-	-	-	2,999,628
Issuance of units for property interest [note 7]	1,000,000	310,000	-	-	-	310,000
Issuance of common shares [note 7]	11,197,600	6,718,560	-	-	-	6,718,560
Value of warrants issued with flow-through shares	-	(19,608)	19,608	-	-	-
Value of warrants issued with units	-	(110,000)	110,000	-	-	-
Value of warrants issued to brokers [note 7]	-	(441,542)	441,542	-	-	-
Share issue costs	-	(836,129)	-	-	-	(836,129)
Recognition of stock-based compensation [note 7]	-	-	-	379,957	-	379,957
Comprehensive loss for the nine-month period	-	-	-	-	(869,658)	(869,658)
Balance as at December 31, 2010	39,570,313	11,313,304	1,167,403	379,957	(1,017,609)	11,843,055
Recognition of stock-based compensation [note 7]	-	-	-	136,126	-	136,126
Comprehensive loss for the three-month period	-	-	-	-	(1,159,608)	(1,159,608)
Balance as at March 31, 2011	39,570,313	11,313,304	1,167,403	516,083	(2,177,217)	10,819,573
Recognition of stock-based compensation [note 7]	-	-	-	401,397	-	401,397
Comprehensive loss for the nine-month period	-	-	-	-	(796,756)	(796,756)
Balance as at December 31, 2011	39,570,313	11,313,304	1,167,403	917,480	(2,973,973)	10,424,214

See accompanying notes to the condensed interim unaudited financial statements

1. NATURE OF BUSINESS AND ABILITY TO CONTINUE AS A 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, Canada. 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 address of the Company's executive office is 1224 Amber Drive, Thunder Bay, Ontario, P7B 6M5, Canada.

The Company 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 exploration and evaluation assets 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 condensed 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 condensed 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 POLICIES

Statement of Compliance and Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian Securities regulatory authorities.

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's third IFRS interim financial statements for part of the period covered by the first IFRS annual financial statements to be presented in accordance with IFRS for the year ending March 31, 2012. Previously, the Company prepared its annual and interim financial statements in accordance with GAAP.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of February 9, 2012, the date the Board of Directors approved these condensed interim financial statements. Any subsequent changes to IFRS that are given effect in the annual financial statements for the year ending March 31, 2012 could result in restatement of these condensed interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim financial statements should be read in conjunction with the Company’s Canadian GAAP annual financial statements for the year ended March 31, 2011. Note 15 discloses IFRS information for the year ended March 31, 2011 that is material to the understanding of these condensed interim financial statements.

Basis of Presentation

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These interim financial statements including comparatives have been prepared on the basis of IFRS standards that are effective or available for early adoption on March 31, 2012, the Company's first annual reporting date. For further information about the Company's transition to IFRS, see the condensed interim financial statements for the three months ended June 30, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

The standards that will be effective or available for voluntary early adoption in the annual financial statements for the year ending March 31, 2012 are subject to change and may be affected by additional interpretation(s). Accordingly the accounting policies for the annual period that are relevant to these condensed interim financial statements will be determined only when the first IFRS financial statements are prepared for the year ending March 31, 2012.

The preparation of these interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at April 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in note 15.

The financial statements are prepared on the historical cost basis. In addition, these financial statements are prepared using the accrual basis of accounting, except for cash flow information.

Foreign Currency Translation

The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, and subsequently accounted for at amortized cost, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

The Company has designated its cash, accounts and other receivables as loans and receivable which are measured at amortized cost on the statement of financial position. Temporary investments have been classified as held-for-trading and are recorded at their fair market value with changes in fair value included in the statement of loss. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Financial assets and financial liabilities are measured subsequently as described below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition: loans and receivables; financial assets at fair value through profit or loss; held-to-maturity investments; available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'general and administrative' expenses or 'interest revenue'.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, accounts and other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company currently does not hold any investments designated into this category.

Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company does not hold any available-for-sale financial assets.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'interest revenue' and 'dividend income'.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss, only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Financial Liabilities

The Company's financial liabilities include its trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'bank charges and interest'.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each financial reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, default of delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable and deposits, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decreases 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. In respect of available-for-sale equity securities, impairment loses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

The Company does not have any derivative financial instruments.

Exploration and Evaluation Assets

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity (e.g. geological, geophysical studies, exploratory drilling and sampling), and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or asset purchase. The Company follows the practice of capitalizing all costs related to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenue received against the cost of related claims. Costs incurred before the Company has obtained the legal rights to explore an area are recognized as expenses of the Company.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and Evaluation Assets (continued)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is depended on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Property and Equipment

Property and equipment is carried at acquisition cost less subsequent depreciation and impairment losses. Amortization is recognised on a declining balance basis to write down the cost or valuation less estimated residual value of property and equipment. The rates generally applicable are:

Equipment - Automotive	20%
Equipment - Office	20%
Equipment - Field	20%
Computers	20%
Computer Software	100%

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within 'gain/loss on sale of equipment'.

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 December 31, 2011 or March 31, 2011.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets

At each financial reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair values less costs to sell, and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less that its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share Capital

Share capital represents the fair value of consideration received.

Flow Through Shares

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. Once the shares of the Company are traded (giving a fair value of the shares), the Company will allocate the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in the statement of comprehensive loss. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-Based Payment Reserve

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Charges for options that are forfeited before vesting are reversed from share-based payment reserve. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

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 7 were not included in the computation of the diluted loss per share for the periods presented because the effect would be anti-dilutive.

Income Taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. 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 the excess.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of taxable income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Asset Retirement Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when the Company has a present legal or constructive obligation 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 reflect 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 the units-of-production or the straight-line method. 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 which 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.

Significant Accounting Judgements and Estimates

The preparation of these condensed interim financial statements requires management to make estimates 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. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 the revision affects both current and future periods. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date 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:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgements and Estimates (continued)

i. the recoverability of amounts receivable, and exploration and evaluation assets which are included in the condensed interim statement of financial position;

ii. the estimated useful lives of property and equipment which are included in the condensed interim statement of financial position and the related amortization included in the statement of comprehensive loss for the period ended December 31, 2011;

iii. the inputs used in determining the fair values of warrants and other stock based transactions; and

iv. the provision for income taxes which is included in the condensed interim statements of loss and comprehensive loss and composition of deferred income tax assets and liabilities included in the condensed interim statement of financial position at December 31, 2011.

Company as Lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Operating Expenses

Operating expenses are recognised in profit or loss upon utilization of the service or at the date of their origin.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards and Interpretations not yet Adopted

IFRS 7 Financial instruments - Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

IFRS 9 Financial Instruments ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 9 on its financial statements.

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on April 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on April 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards and Interpretations not yet Adopted (continued)

IFRS 13 Fair Value Measurement converges IFRS and Canadian GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its financial statements.

3. PROPERTY AND EQUIPMENT

	December 31, 2011		March 31, 2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	$	$	$	$
Equipment - Automotive	31,083	4,662	-	-
Equipment - Office	19,842	5,680	15,903	3,181
Equipment - Field	34,262	5,139	-	-
Computers	13,867	4,438	13,867	2,773
Computer Software	538	538	538	538
	99,592	**20,457**	**30,308**	**6,492**
Net Book Value		**79,135**		**23,816**

4. EXPLORATION AND EVALUATION ASSETS

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), 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.

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.

The amounts shown below represent costs incurred to date, and do not necessarily represent present or future value as these are entirely dependent upon the economic recovery of future ore reserves.

Albany Property	Opening Balance $	Expenditures $	Ending Balance $
For the year ended March 31, 2011	**574,621**	**2,296,378**	**2,870,999**
For the nine months ended December 31, 2011	**2,870,999**	**4,133,407**	**7,004,406**

Acquisition costs comprise $395,000 of the Albany Property balance as at December 31, 2011 (March 31, 2011 - $340,000). The remaining balances are comprised of exploration expenditures.

5. TEMPORARY INVESTMENTS

Guaranteed investment certificates	December 31, 2011 $	March 31, 2011 $
Non-cashable, 1.30%, maturing July 5, 2011	-	3,000,000
Non-cashable, 1.55%, maturing November 15, 2011	-	25,000
Cashable, variable rate, maturing January 6, 2012	2,500,000	5,500,000
Non-cashable, 1.00%, maturing November 15, 2012	25,000	-
Accrued interest	14,621	21,777
	2,539,621	**8,546,777**

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2011 $	March 31, 2011 $
Trade payables	**1,145,198**	671,464
Accrued liabilities	**25,000**	25,000
Due to shareholders and related parties	**1,130**	-
	1,171,328	696,464

The amounts owing to related parties are unsecured, non-interest bearing, and have no fixed terms of repayment.

7. CAPITAL STOCK

(a) Share Capital

The company is authorized to issue an unlimited number of common shares, with no par value.

There were no share capital transactions during the nine months ended December 31, 2011. 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.

7. CAPITAL STOCK (continued)

(a) Share Capital (continued)

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. The flow-through shares were recorded with $2,749,628 being an increase to share capital, and $458,271 being recorded as other liabilities for the premium on issuance of flow-through shares in accordance with the Company's accounting policies. 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, the deferred tax liability of $926,900 was recognized by debiting deferred tax expense.

(b) Share Purchase Warrants

For the purpose of the calculations for the warrants granted during the year ended March 31, 2011, the fair value of each warrant was estimated on the grant date using the Black-Scholes option pricing model, with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 113%; risk-free interest rate of 1.84%; and expected life of 3.13 years.

Details of share purchase warrants are as follows:

	Note	Number of Warrants	Weighted Average Exercise Price $
Balance, April 1, 2010		**12,394,000**	0.94
Issued under private placements to investors	1	**400,000**	1.00
Issued under private placements to investors	2	**1,000,000**	1.50
Issued under private placements to brokers	3	**1,261,549**	0.60
Balance, March 31, 2011 and December 31, 2011		**15,055,549**	0.95

Notes:

1) Each warrant entitles the holder to purchase one common share at $1.00 for a period of two years from the date of issuance. The expiry dates range from May 13, 2012 to June 17, 2012.

7. CAPITAL STOCK (continued)

(b) Share Purchase Warrants (continued)

2) Each warrant entitles the holder to purchase one common share at $1.50 for a period of five years from the date of issuance. The expiry date is December 23, 2015.

3) Each warrant entitles the holder to purchase one common share at $0.60 for a period of two years from the date of issuance. The expiry date is December 23, 2012.

Details of share purchase warrants outstanding are as follows:

Expiry Date	Exercise Price $	December 31, 2011 #	March 31, 2011 #
December 23, 2012	**1.00**	**11,340,000**	11,340,000
December 23, 2012	**0.25**	**1,054,000**	1,054,000
May 13, 2012	**1.00**	**300,000**	300,000
June 17, 2012	**1.00**	**100,000**	100,000
December 23, 2015	**1.50**	**1,000,000**	1,000,000
December 23, 2012	**0.60**	**1,261,549**	1,261,549
		15,055,549	15,055,549

(c) Stock Options and Share-Based Payment Reserve

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.

7. CAPITAL STOCK (continued)

(c) Stock Options and Share-Based Payment Reserve (continued)

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 December 31, 2011 and March 31, 2011. The balance of share-based payment reserve as a result of recognizing this stock-based compensation was $917,480 (March 31, 2011: $516,083). The weighted average grant date fair value of these stock options was $0.48. The remaining contractual life of the stock options issued and outstanding at December 31, 2011 was 3.98 years (March 31, 2011: 4.73 years).

The fair value of the options issued 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.

7. CAPITAL STOCK (continued)

(c) Stock Options and Share-Based Payment Reserve (continued)

The Company applies the fair value method of accounting for share-based payment awards to directors, officers, employees and non-employees. Accordingly, the following amounts have been recognized as compensation expense and under capital stock as share-based payment reserve:

	9 Months Ended December 31, 2011	9 Months Ended December 31, 2010	Year Ended March 31, 2011
	401,397	**379,957**	**516,083**

The following stock options were outstanding:

	Expiry Date	Exercise Price $	Number of Options Issued #	Number of Options Exercisable #
As at March 31, 2011	12/23/15	**0.60**	**2,275,000**	**758,333**
As at December 31, 2011	12/23/15	**0.60**	**2,275,000**	**1,516,667**

(d) 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 December 31, 2011, 5,625,000 shares and 2,416,200 warrants were held in escrow (March 31, 2011: 12,990,500 shares and 5,472,300 warrants).

8. 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 28.25% (2010 - 31%) for the indicated periods are as follows:

	9 Months Ended December 31, 2011 $	9 Months Ended December 31, 2010 $
Loss before income taxes	**(1,358,071)**	(1,076,958)
Expected income tax recovery	**(383,700)**	(333,900)
Adjustments to benefit resulting from:		
Share issue costs	**-**	(203,800)
Share-based payments	**113,400**	117,800
Changes in tax rates	**32,800**	41,700
Other	**(5,200)**	-
Recognition of deferred premium on flow-through shares	**(318,615)**	-
Change in valuation allowance	**-**	(32,900)
Tax effect of share issue cost charged to common shares	**-**	203,800
Deferred tax expense (recovery)	**(561,315)**	(207,300)

b) Deferred Income Tax Balances

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities in Canada approximate the following:

Deferred income tax asset (liability)	December 31, 2011 $	March 31, 2011 $
Non-capital loss carryforward	**111,300**	68,000
Property and equipment	**5,100**	1,600
Interest in resource properties	**(391,100)**	(636,300)
Share issue costs	**202,200**	251,500
	(72,500)	(315,200)
Valuation Allowance	-	-
Deferred income tax asset (liability)	**(72,500)**	(315,200)

8. INCOME TAXES (continued)

c) Loss Carry-Forwards

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 $445,000 will expire as follows:

Year	Amount $
2030	**46,000**
2031	**235,000**
2032	**164,000**
	445,000

The Company has approximately $5,440,000 of Canadian development and exploration expenditures as at December 31, 2011 (March 31, 2011: $3,087,000), which under certain circumstances may be utilized to reduce the taxable income of future years.

The Company has share issue costs of approximately $808,000 (March 31, 2011: $1,005,000) which have not yet been deducted for income tax purposes.

9. STATEMENT OF CASH FLOWS - SUPPLEMENTARY DISCLOSURES

Changes in non-cash working capital balances consist of:

	December 31, 2011 $	December 31, 2010 $
Accrued interest income	**7,156**	(814)
Accounts and other receivables	**(180,219)**	(62,137)
Prepaid expenses	**8,247**	(8,612)
Accounts payable and accrued liabilities	**(157,508)**	129,295
	(322,324)	57,732

Supplementary disclosure:

Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Change in accrued exploration property expenditures	$ 632,372	$ -
Units issued for property	$ -	$ 310,000

10. RELATED PARTY TRANSACTIONS

During the three-month and nine-month periods ended December 31, 2011, a corporation controlled by a director and officer of the Company charged the following amounts: $Nil and $Nil (2010: $Nil and $211,918) for contract and management services; $Nil and $Nil (2010: $7,294 and $29,756) for investor relations and promotion; $Nil and $61,493 (2010: $Nil and $Nil) for equipment.

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 remuneration of directors and other members of key management personnel during the nine-month periods ending December 31 were as follows:

	2011 $	2010 $
Short-term benefits	**194,625**	103,125
Share-based payments	**247,015**	233,821
	441,640	336,946

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

See also notes 4, 6, and 7a).

11. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Company's operations include the acquisition and exploration of mineral properties in Canada. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

a) Credit Risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

11. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)

a) Credit Risk (continued)

i) Trade Credit Risk

The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior period.

ii) Cash and Cash Equivalents

In order to manage credit and liquidity risk the Company invests only in highly rated investment grade instruments that have maturities of one year or less. Limits are also established based on the type of investment, the counterparty and the credit rate.

iii) Derivative Financial Instruments

As at December 31, 2011 and March 31, 2011, the Company has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage credit risk; it will only enter into derivative financial instruments with highly rated investment grade counterparties.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a significant loss as a result of a decline in the fair market value of investments or items held within cash and cash equivalents is limited given that the majority have a relatively short maturity. The Company manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates. The Company believes that its interest rate risk is immaterial.

d) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Company is the Canadian dollar. The Company is involved with a small number of foreign vendors in the United States of America. Changes in the currency exchange rates between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations as the exposure has been deemed to be minimal.

11. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)

e) Fair Value of Financial Instruments

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - 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 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Company's financial assets are measured at level 1 within the fair value hierarchy.

The fair values of all of the Company's financial instruments approximate their carrying values.

e) 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 $25,000 during a twelve-month period.

12. MANAGEMENT OF CAPITAL

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 nine months ended December 31, 2011 and 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.

12. MANAGEMENT OF CAPITAL (continued)

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 13)

13. COMMITMENTS AND CONTINGENCIES

a) 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 remaining in the Company's fiscal years to the expiration of the leases are as follows:

2012	$	14,490
2013	$	55,300

Operating lease payments expensed by the Company for the nine month periods ending December 31 were as follows:

2011 $	2010 $
43,470	31,500

b) 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.

c) Vendor Dispute

The Company has a dispute with one of its vendors with respect to fees in the amount of approximately $317,000 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.

d) 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. The Company has expended all of these flow through funds.

13. COMMITMENTS AND CONTINGENCIES (continued)

d) Flow-Through Expenditures (continued)

In December 2010, the Company issued a total of 4,582,713 flow-through shares for proceeds of $3,207,899. The Company has expended all of these flow through funds.

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.

e) 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.

f) 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.

14. 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 nine months ended December 31, 2011 is 39,570,313 (2010: 25,177,280). 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: 17,330,549).

15. TRANSITION TO IFRS

The Company's financial statements for the year ending March 31, 2012 will be the first annual financial statements that comply with IFRS and these condensed interim financial statements were prepared as described in note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its March 31, 2012 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was April 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be March 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Property, plant and equipment - IFRS 1 provides a one-time choice of measuring property, plant and equipment at its fair value as deemed cost at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. For the purpose of subsequent measurement, the Company has elected to apply the cost model for property, plant & equipment rather than the fair value model available under IFRS. In preparing its opening IFRS statement of financial position, the Company has not adjusted amounts reported previously in financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as there were no differences identified.

The only mandatory exception applied is that the estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

15. TRANSITION TO IFRS (continued)

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive income have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

a) Reconciliation of equity:

As at	March 31, 2011	December 31, 2010
Shareholders' equity under Canadian GAAP	**11,138,188**	**12,233,626**
Adjustment for flow-through shares	**(318,615)**	**-**
Total equity under IFRS	**10,819,573**	**12,233,626**

b) Reconciliation of loss, being comprehensive loss:

	Year Ended March 31, 2011	Three Months Ended December 31, 2010	Nine Months Ended December 31, 2010
Loss under Canadian GAAP	**(1,242,022)**	**(502,824)**	**(869,658)**
Adjustment for flow-through shares	**(787,244)**	**-**	**-**
Loss under IFRS	**(2,029,266)**	**(502,824)**	**(869,658)**

c) Changes in accounting policies

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

i. Share-based payments

IFRS 2 is effective for the Company as of April 1, 2010 and is applicable to stock options and grants that are unvested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Stock options and share grants prior to November 7, 2002 are not taken into account for IFRS 2;

- Stock options and share grants subsequent to November 7, 2002 are only taken into account if they have not vested as at April 1, 2010; and,

- From April 1, 2010, all stock options, share grants and other share-based payments will be expensed in accordance with the policy stated in Note 2.

15. TRANSITION TO IFRS (continued)

c) Changes in accounting policies (continued)

i. Share-based payments (continued)

Recognition of Expense

Canadian GAAP - Often in practice expense is recognized on a straight line basis over vesting period. Forfeitures may be recognized as they occur.

IFRS - Under IFRS 2, graded vesting awards must be accounted for as though each installment is a separate award. Forfeiture estimates are recognized in the current period and revised for actual experience in subsequent periods. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis.

Forfeitures

Canadian GAAP – Forfeitures of awards are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. No adjustments were required.

ii. Contributed Surplus

Canadian GAAP – Amounts recorded for expired, unexercised stock options and warrants remained in contributed surplus.

IFRS – On transition to IFRS the Company elected to change its accounting policy for the treatment of share-based payments and warrants whereby the amounts recorded for expired, unexercised stock options and warrants are transferred to deficit. No adjustments were required.

iii. Impairments

Recoverable Amount

Canadian GAAP – A recoverability test is performed by first comparing the undiscounted expected future cash flows to be derived from the asset to its carrying amount. If the asset does not recover its carrying value, an impairment loss is calculated as the excess of the asset's carrying amount over its fair value.

IFRS – The impairment loss is calculated as the excess of the asset's carrying amount over its recoverable amount, where recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value-in-use. Under the value-in-use calculation, the expected future cash flows from the asset are discounted to their net present value. No adjustments were required.

15. TRANSITION TO IFRS (continued)

c) Changes in accounting policies (continued)

iii. Impairments (continued)

Reversal of Impairment

Canadian GAAP - Reversal of impairment losses is not permitted.

IFRS - Reversal of impairment losses is required for assets other than goodwill if certain criteria are met. No adjustments were required.

iv. Deferred Flow-Through Premium

Canadian GAAP - Flow through shares are a unique Canadian tax incentive, which is the subject of specific guidance under Canadian GAAP.

IFRS – There is no equivalent IFRS guidance. SIC Interpretation 25, Income Taxes – Changes in the Tax Status of an Entity or its Shareholders, provides some additional guidance in that it requires that the current and deferred tax consequences of a change in tax status shall be included in profit or loss for the period, unless those consequences relate to transactions and events that result in a direct credit to the recognized amount in equity. The portion of tax liabilities or assets related to such recognized equity amounts which is not included in profit or loss must be charged or credited directly to equity.

The Company intends to adopt a policy whereby the premium paid for flow through shares in excess of the market value of the shares without the flow through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made. As a result, during fiscal 2011, the Company reversed the $926,900 income tax recovery recorded as a result of flow-through shares in the Statement of Comprehensive Loss and reversed the offsetting $926,900 direct charge to capital stock in the Statement of Shareholders' Equity. There is no material impact of this accounting change as at the Transition Date to the Statement of Financial Position at April 1, 2010 nor to the balance of the Deficit nor related reserves as at that date.