ZENYATTA VENTURES LTD.

FINANCIAL STATEMENTS

For the years ended March 31, 2012 and 2011

(Expressed in Canadian Dollars)

MARCH 31, 2012 AND 2011 **PAGE**

Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Loss and Comprehensive Loss	3
Statements of Cash Flows	4
Statements of Changes in Equity	5
Notes to the Financial Statements	6 - 33

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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 statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity for the years ended March 31, 2012 and 2011, 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 International Financial Reporting Standards 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, 2012, March 31, 2011 and April 1, 2010, and its financial performance and its cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements indicating the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
July 27, 2012

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ZENYATTA VENTURES LTD.
STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
		[note 15]	[note 15]
ASSETS			
Non-current assets			
Equipment [notes 3 and 10]	**75,116**	23,816	-
Deferred taxes [note 8]	**-**	-	62,500
Exploration and evaluation assets [note 4]	**7,345,342**	2,870,999	574,621
Total non-current assets	**7,420,458**	2,894,815	637,121
Current assets			
Cash	**1,112,185**	550,379	2,119,186
Temporary investments [note 5]	**2,555,974**	8,546,777	400,184
Amounts and other receivables	**152,705**	132,860	33,107
Prepaids and deposits	**21,938**	25,021	7,000
Total current assets	**3,842,802**	9,255,037	2,559,477
Total Assets	**11,263,260**	12,149,852	3,196,598
LIABILITIES			
Non-current liabilities			
Deferred taxes [note 8]	**10,700**	315,200	-
Total non-current liabilities	**10,700**	315,200	-
Current liabilities			
Accounts payable and accrued liabilities [note 6]	**1,025,512**	696,464	155,901
Other liabilities [note 7(a)]	**-**	318,615	-
Total current liabilities	**1,025,512**	1,015,079	155,901
Total liabilities	**1,036,212**	1,330,279	155,901
EQUITY			
Share capital [note 7(a)]	**11,313,304**	11,313,304	2,592,395
Warrants [note 7(b)]	**1,167,403**	1,167,403	596,253
Share-based payment reserve [note 7(c)]	**962,856**	516,083	-
Deficit	**(3,216,515)**	(2,177,217)	(147,951)
Total equity	**10,227,048**	10,819,573	3,040,697
Total equity and liabilities	**11,263,260**	12,149,852	3,196,598

Going Concern [note 1]
Commitments and Contingencies [notes 4 and 13]

See accompanying notes to the financial statements

Approved on behalf of the Board of Directors:

_____, Director

_____, Director

ZENYATTA VENTURES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Stated in Canadian Dollars)	2012	2011
FOR THE YEARS ENDED MARCH 31	**$**	**$**
		[Note 15]
EXPENSES		
Amortization	**18,779**	6,492
Consulting fees	**12,000**	19,180
Contract and management services [Note 10]	**-**	210,672
General and administrative	**824,535**	512,829
Investor relations and promotion [Note 10]	**48,457**	53,542
Professional fees	**354,511**	160,511
Stock-based compensation [Note 7 (c)]	**446,773**	516,083
Stock exchange and filing fees	**8,745**	66,257
Loss from operating activities	**1,713,800**	1,545,566
Interest revenue	**51,387**	25,844
Loss before income taxes	**1,662,413**	1,519,722
Deferred tax (recovery) expense [note 8]	**(623,115)**	509,544
Net loss for the year, being total comprehensive loss for the year	**1,039,298**	2,029,266
Basic and diluted net loss per share [note 14]	**0.03**	0.07

See accompanying notes to the financial statements

ZENYATTA VENTURES LTD.
STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars) **FOR THE YEARS ENDED MARCH 31**	**2012** **$**	**2011** **$**
OPERATING ACTIVITIES		
Loss for the year	(1,039,298)	(2,029,266)
Items not affecting cash		
Amortization	18,779	6,492
Stock-based compensation	446,773	516,083
Deferred tax (recovery) expense	(623,115)	509,544
	(1,196,861)	(997,147)
Net change in non-cash working capital balances [note 9]	(120,931)	(87,413)
Cash (used in) operating activities	(1,317,792)	(1,084,560)
INVESTMENT ACTIVITIES		
Mineral exploration and evaluation expenditures	(4,025,323)	(1,497,769)
Purchase of temporary investments	(2,550,000)	(8,525,000)
Redemption of temporary investments	8,525,000	400,000
Purchase of equipment	(70,079)	(30,308)
Cash provided by (used in) investment activities	1,879,598	(9,653,077)
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 the year	561,806	(1,568,807)
Cash, beginning of year	550,379	2,119,186
Cash, end of year	1,112,185	550,379

Supplementary disclosures - see note 9

See accompanying notes to the financial statements

ZENYATTA VENTURES LTD.
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 [note 7]	-	(19,608)	19,608	-	-	-
Value of warrants issued with units [note 7]	-	(110,000)	110,000	-	-	-
Value of warrants issued to brokers [note 7]	-	(441,542)	441,542	-	-	-
Share issue costs [note 7]	-	(836,129)	-	-	-	(836,129)
Recognition of stock-based compensation [note 7]	-	-	-	516,083	-	516,083
Comprehensive loss for the year	-	-	-	-	(2,029,266)	(2,029,266)
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]	-	-	-	446,773	-	446,773
Comprehensive loss for the year	-	-	-	-	(1,039,298)	(1,039,298)
Balance as at March 31, 2012	39,570,313	11,313,304	1,167,403	962,856	(3,216,515)	10,227,048

See accompanying notes to the 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 board of directors approved these financial statements on July 27, 2012.

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 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 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.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This is the first time that the Company has prepared its annual financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

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 financial statements in conformity with IAS 1 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.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing an opening IFRS statement of financial position 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 Canadian GAAP to IFRS as at April 1, 2010 and March 31, 2011 and for the year ended March 31, 2011 is explained in note 15.

The financial statements are prepared on the historical cost basis except for temporary investments which are reflected at fair value. 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. In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Gains/losses on translation are recorded in the statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, amounts 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 fair value through profit or loss and are recorded at their fair market value with changes in fair value included in the statement of loss and comprehensive 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.

Financial Assets

For the purpose of subsequent measurement, financial assets 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 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. The Company's cash, amounts 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

Financial Liabilities
The Company's financial liabilities include its accounts payable and accrued liabilities.

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.

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 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 credited 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Exploration and evaluation assets are assessed for impairment at each financial reporting date or when 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.

Equipment

Equipment is carried at acquisition cost less subsequent amortization and impairment losses. Amortization is recognised on a declining balance basis over the estimated useful lives of the equipment less estimated residual value. 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.

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'.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2012, 2011 or April 1, 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.

Impairment of Non-Financial Assets
At each financial reporting date, the carrying amounts of the Company's non-financial 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, less related costs.

Flow Through Shares
Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby it agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates 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 non-flow through shares and the amount the investor pays for flow-through shares. A 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. For those warrants that expire after vesting, the recorded value is transferred to deficit.

Share-Based Payments

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 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. In order to determine diluted loss per share, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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.

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 or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Restoration, Rehabilitation, and Environmental 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 obligations as at March 31, 2012, 2011 and April 1, 2010 as the disturbance to date is minimal.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Critical Judgements and Estimation Uncertanties

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See note 4 for details of capitalized exploration and evaluation costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mineral properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each juristiction.

The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-Based Payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Existence of decommissioning and restoration costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Contingencies

Refer to Note 13.

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, 2015, 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, 2015. 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.

IFRS 12 – Disclosure of interests in other entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company has not yet determined the impact of IFRS 12 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 IFRS 13 on its financial statements.

IAS 1 – Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of the amendments to IAS 1 on its financial statements.

3. EQUIPMENT

	March 31, 2012		March 31, 2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	$	$	$	$
Equipment - Automotive	31,083	6,217	-	-
Equipment - Office	19,842	6,513	15,903	3,181
Equipment - Field	34,262	6,852	-	-
Computers	14,662	5,151	13,867	2,773
Computer Software	538	538	538	538
	100,387	**25,271**	**30,308**	**6,492**
Net Book Value		**75,116**		**23,816**

	April 1, 2010	
	Cost	Accumulated Amortization
	$	$
Equipment - Automotive	-	-
Equipment - Office	-	-
Equipment - Field	-	-
Computers	-	-
Computer Software	-	-
	-	**-**
Net Book Value		**-**

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 optionor, 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 (paid), 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 NSR 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 year ended March 31, 2012	**2,870,999**	**4,474,343**	**7,345,342**

Acquisition costs comprise $395,000 of the Albany Property balance as at March 31, 2012 (March 31, 2011 - $340,000; April 1, 2010 - $Nil). The remaining balances are comprised of exploration expenditures.

5. TEMPORARY INVESTMENTS

Guaranteed investment certificates	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
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	-
Non-cashable, 1.00%, maturing November 15, 2012	25,000	-	-
Cashable, variable rate, maturing January 7, 2013	2,525,000	-	-
Accrued interest	5,974	21,777	184
	2,555,974	**8,546,777**	**400,184**

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
Trade payables	**998,574**	671,464	338
Accrued liabilities	**25,000**	25,000	72,563
Due to shareholders and related parties	**1,938**	-	83,000
	1,025,512	696,464	155,901

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 year ended March 31, 2012. 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 relating to the premium on issuance of flow-through shares in accordance with the Company's accounting policies. As at March 31, 2012, the premium liability was $nil (March 31, 2011 - $318,615; April 1, 2010 - $nil) 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.

(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 March 31, 2012		**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 date is December 23, 2012.

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.

7. CAPITAL STOCK (continued)

(b) Share Purchase Warrants (continued)

Details of share purchase warrants outstanding are as follows:

Expiry Date	Exercise Price $	March 31, 2012 #	March 31, 2011 #	April 1, 2010 #
December 23, 2012	**1.00**	**11,740,000**	11,740,000	11,340,000
December 23, 2012	**0.25**	**1,054,000**	1,054,000	1,054,000
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	12,394,000

(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.

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.

7. CAPITAL STOCK (continued)

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

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, 2012 and 2011. The balance of share-based payment reserve as a result of recognizing this stock-based compensation was $962,856 (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 March 31, 2012 was 3.73 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.

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:

	Year Ended March 31, 2012	Year Ended March 31, 2011
	$	$
	446,773	**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 March 31, 2012	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 March 31, 2012, 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% (2011 - 31%) are as follows:

	March 31, 2012 $	March 31, 2011 $
Loss before income taxes	**(1,662,413)**	(1,519,722)
Expected income tax recovery	**(461,300)**	(471,100)
Adjustments to benefit resulting from:		
Share issue costs	**-**	(271,500)
Share-based payments	**124,000**	160,000
Changes in tax rates	**35,100**	66,300
Other	**(2,300)**	-
Recognition of deferred premium on flow-through shares	**(318,615)**	(139,656)
Flow-through shares renounced	**-**	926,900
Change in tax benefits not recognized	**-**	(32,900)
Tax effect of share issue cost charged to common shares	**-**	271,500
Deferred tax expense (recovery)	**(623,115)**	509,544

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 assets (liabilities)	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
Non-capital loss carryforward	**123,100**	68,000	11,400
Equipment	**6,300**	1,600	-
Interest in exploration and evaluation properties	**(325,800)**	(636,300)	38,300
Share issue costs	**185,700**	251,500	45,700
	(10,700)	(315,200)	95,400
Tax benefit not recognized	-	-	(32,900)
Deferred income tax (liability) asset	**(10,700)**	(315,200)	62,500

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 $492,000 will expire as follows:

Year	Amount $
2030	**46,000**
2031	**235,000**
2032	**211,000**
	492,000

The Company has approximately $6,041,000 of Canadian development and exploration expenditures as at March 31, 2012 (March 31, 2011: $3,087,000; April 1, 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 $743,000 (March 31, 2011: $1,005,000; April 1, 2010: $183,000) which have not yet been deducted for income tax purposes.

9. STATEMENT OF CASH FLOWS

Changes in non-cash working capital balances consist of:

	March 31, 2012 $	March 31, 2011 $
Accrued interest income	**15,803**	(21,593)
Accounts and other receivables	**(19,845)**	(99,753)
Prepaids and deposits	**3,083**	(18,021)
Accounts payable and accrued liabilities	**(119,972)**	51,954
	(120,931)	(87,413)

Supplementary disclosures:

Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Change in accrued exploration property expenditures	$ 449,020	$ 488,609
Units issued for property interest	$ -	$ 310,000
Broker warrants issued	$ -	$ 441,542

10. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2012, a corporation controlled by a director and officer of the Company charged the following amounts: $Nil (2011: $210,672) for contract and management services; $Nil (2011: $29,457) for investor relations and promotion; and $61,493 (2011: $28,086) for equipment.

The remuneration of directors and other members of key management personnel during the years ended March 31, 2012 and 2011 were as follows:

	2012 $	2011 $
Short-term benefits	**259,500**	172,000
Share-based payments	**274,939**	317,591
	534,439	489,591

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. There have been no significant changes in the risks, objectives, policies and procedures for managing risks during the years ended March 31, 2012 and March 31, 2011.

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 year.

ii) Cash and Temporary Investments

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.

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).

As at March 31, 2012, Temporary investments which are measured based on fair value are classified as level 2 within the fair value hierarchy.

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

f) 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 balance of temporary investments as at March 31, 2012, would affect the net loss by approximately plus or minus $25,250 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 years ended March 31, 2012 and 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 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 in the Company's fiscal years to the expiration of the leases are as follows:

2013	$ 55,300

Operating lease payments expensed by the Company for the years ended March 31 were as follows:

2012	2011
$	$
57,960	44,660

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 $853,500 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.

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.

13. COMMITMENTS AND CONTINGENCIES (continued)

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 an 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 (paid) and April, May and June 2012 (Paid subsequent to March 31, 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 year ended March 31, 2012 is 39,570,313 (2011: 27,480,771). 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 diluted loss per share was 17,330,549 (2011: 17,330,549).

15. TRANSITION TO IFRS

The Company's financial statements for the year ending March 31, 2012 are the first annual financial statements prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"), 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 is March 31, 2012. Therefore, the financial statements for the year ended March 31, 2012, the comparative information presented in these financial statements for the year ended March 31, 2011 and the opening IFRS statement of financial position at April 1, 2010 are prepared in accordance with IFRS standards effective at the reporting date. However, IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters. Prior to transition to IFRS, the Company prepared its financial statements in accordance Canadian GAAP.

The Company has elected to apply the following optional exemptions in its preparation of opening IFRS statement of financial position as at April 1, 2010.

- To Apply IFRS 2 Share Based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

- To Apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that tool place prior to the Transition Date.

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 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 reconciliation has been presented.

a) Reconciliation of equity:

As at	March 31, 2011	April 1, 2010
Shareholders' equity under Canadian GAAP	**11,138,188**	**3,040,697**
Adjustment for flow-through shares	**(318,615)**	**-**
Total equity under IFRS	**10,819,573**	**3,040,697**

b) Reconciliation of loss, being comprehensive loss:

For the year to date periods ended	March 31, 2011
Loss under Canadian GAAP	**(1,242,022)**
Adjustment for flow-through shares	**(787,244)**
Loss under IFRS	**(2,029,266)**

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)

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 on transition to IFRS.

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 on transition to IFRS.

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. 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 Company has adopted 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 deficit. As at March 31, 2011, the Company recorded a flow through premium of $318,615 as a current liability, a deferred tax recovery of $139,656 and a charge to capital stock of $458,271.