ZENYATTA VENTURES LTD.

CONDENSED INTERIM
FINANCIAL STATEMENTS

For the six months ended September 30, 2012 and 2011

(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

SEPTEMBER 30, 2012 AND 2011 **PAGE**

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ZENYATTA VENTURES LTD.
CONDENSED INTERIM UNAUDITED STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)	**September 30, 2012** **$**	March 31, 2012 $
ASSETS		
Non-current assets		
Equipment [notes 3 and 9]	**68,470**	75,116
Exploration and evaluation assets [note 4]	**8,682,022**	7,345,342
Total non-current assets	**8,750,492**	7,420,458
Current assets		
Cash	**107,292**	1,112,185
Temporary investments [note 5]	**1,536,233**	2,555,974
Amounts and other receivables	**129,758**	152,705
Prepaids and deposits	**12,820**	21,938
Total current assets	**1,786,103**	3,842,802
Total assets	**10,536,595**	11,263,260
LIABILITIES		
Non-current liabilities		
Deferred taxes	**-**	10,700
Total non-current liabilities	**-**	10,700
Current liabilities		
Accounts payable and accrued liabilities [notes 6 and 12(c)]	**895,798**	1,025,512
Total current liabilities	**895,798**	1,025,512
Total liabilities	**895,798**	1,036,212
EQUITY		
Share capital [note 7(a)]	**11,313,304**	11,313,304
Warrants [note 7(b)]	**1,167,403**	1,167,403
Share-based payment reserve [note 7(c)]	**1,053,608**	962,856
Deficit	**(3,893,518)**	(3,216,515)
Total equity	**9,640,797**	10,227,048
Total equity and liabilities	**10,536,595**	11,263,260

Going Concern [note 1]
Commitments and Contingencies [notes 4 and 12]

See accompanying notes to the condensed interim unaudited financial statements

These condensed interim financial statements were authorized for issue by the Board of Directors on November 29, 2012
They are signed on the Company's behalf by:

"Aubrey Eveleigh" , Director

"Barry Allan" , Director

ZENYATTA VENTURES LTD.

CONDENSED INTERIM UNAUDITED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Stated in Canadian Dollars)	**Three Months Ended September 30, 2012 $**	Three Months Ended September 30, 2011 $	Six Months Ended September 30, 2012 $	Six Months Ended September 30, 2011 $
EXPENSES				
Amortization	**3,804**	5,545	7,608	9,280
Consulting fees	**3,000**	3,000	5,000	5,000
General and administrative	**177,535**	196,620	463,410	416,915
Investor relations and promotion	**15,255**	5,076	20,935	6,793
Professional fees	**51,751**	169,576	111,620	305,794
Stock-based compensation [Note 7 (c)]	**45,376**	136,126	90,752	272,252
Stock exchange and filing fees	**-**	3,310	-	3,345
Loss from operating activities	**296,721**	519,253	699,325	1,019,379
Interest revenue	**4,409**	15,284	11,622	27,848
Loss before income taxes	**292,312**	503,969	687,703	991,531
Deferred tax (recovery)	**-**	(92,100)	(10,700)	(502,015)
Net loss for the period, being total comprehensive loss for the period	**292,312**	411,869	677,003	489,516
Basic and diluted net loss per share [note 13]	**0.01**	0.01	0.02	0.01

See accompanying notes to the condensed interim unaudited financial statements

ZENYATTA VENTURES LTD.
CONDENSED INTERIM UNAUDITED STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)	**Six Months Ended September 30, 2012** **$**	Six Months Ended September 30, 2011 $
OPERATING ACTIVITIES		
Loss for the period	**(677,003)**	(489,516)
Items not affecting cash		
Amortization	**7,608**	9,280
Stock-based compensation	**90,752**	272,252
Deferred tax (recovery)	**(10,700)**	(502,015)
	(589,343)	(709,999)
Net change in non-cash working capital balances [note 8]	**(18,834)**	(300,840)
Cash (used in) operating activities	**(608,177)**	(1,010,839)
INVESTMENT ACTIVITIES		
Mineral exploration and evaluation expenditures	**(1,420,754)**	(1,986,654)
Redemption of temporary investments	**1,025,000**	6,000,000
Purchase of equipment	**(962)**	(68,985)
Cash (used in) provided by investment activities	**(396,716)**	3,944,361
(Decrease) increase in cash during the period	**(1,004,893)**	2,933,522
Cash, beginning of period	**1,112,185**	550,379
Cash, end of period	**107,292**	3,483,901

Supplementary disclosures - see note 8

See accompanying notes to the condensed interim unaudited financial statements

ZENYATTA VENTURES LTD.

CONDENSED INTERIM UNAUDITED STATEMENTS OF CHANGES IN EQUITY

For the six months ended September 30, 2012

(Stated in Canadian Dollars)	Number of Shares	Share Capital $	Warrants $	Share-Based Payment Reserve $	Deficit $	Total Equity $
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(c)]	-	-	-	272,252	-	272,252
Comprehensive loss for the period	-	-	-	-	(489,516)	(489,516)
Balance as at September 30, 2011	39,570,313	11,313,304	1,167,403	788,335	(2,666,733)	10,602,309
Recognition of stock-based compensation	-	-	-	174,521	-	174,521
Comprehensive loss for the period	-	-	-	-	(549,782)	(549,782)
Balance as at March 31, 2012	39,570,313	11,313,304	1,167,403	962,856	(3,216,515)	10,227,048
Recognition of stock-based compensation [note 7(c)]	-	-	-	90,752	-	90,752
Comprehensive loss for the period	-	-	-	-	(677,003)	(677,003)
Balance as at September 30, 2012	39,570,313	11,313,304	1,167,403	1,053,608	(3,893,518)	9,640,797

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 board of directors approved these condensed interim financial statements on November 29, 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 condensed interim 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 interim 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

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB (International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 - Interim Financial Reporting. The accounting policies followed in these condensed interim financial statements were applied on a consistent basis as those applied in the Company's audited annual financial statements for the year ended March 31, 2012.

The condensed interim financial statements do not contain all disclosures required under IFRS and should be read in conjunction with the Company's audited annual financial statements and the notes thereto for the year ended March 31, 2012.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds and income taxes. Differences may be material.

3. EQUIPMENT

	September 30, 2012		March 31, 2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	$	$	$	$
Equipment - Automotive	31,083	8,703	31,083	6,217
Equipment - Office	19,842	7,846	19,842	6,513
Equipment - Field	34,262	9,594	34,262	6,852
Computers	15,624	6,198	14,662	5,151
Computer Software	538	538	538	538
	101,349	**32,879**	**100,387**	**25,271**
Net Book Value		**68,470**		**75,116**

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, 2012	**2,870,999**	**4,474,343**	**7,345,342**
For the six months ended September 30, 2012	**7,345,342**	**1,336,680**	**8,682,022**

Acquisition costs comprise $450,000 of the Albany Property balance as at September 30, 2012 (March 31, 2012 - $395,000). The remaining balances are comprised of exploration expenditures.

5. TEMPORARY INVESTMENTS

Guaranteed investment certificates	September 30, 2012 $	March 31, 2012 $
Non-cashable, 1.00%, maturing November 15, 2012	**25,000**	25,000
Cashable, variable rate, maturing January 7, 2013	**1,500,000**	2,525,000
Accrued interest	**11,233**	5,974
	1,536,233	2,555,974

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2012 $	March 31, 2012 $
Trade payables	**870,798**	998,574
Accrued liabilities	**25,000**	25,000
Due to shareholders and related parties	**-**	1,938
	895,798	1,025,512

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

7. SHARE CAPITAL

(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 six month period ended September 30, 2012 and the year ended March 31, 2012.

(b) Share Purchase Warrants

Details of share purchase warrants outstanding are as follows:

Expiry Date	Exercise Price $	Grant Date Fair Value $	September 30, 2012 #	March 31, 2012 #
December 23, 2012	**1.00**	**575,487**	**11,740,000**	11,740,000
December 23, 2012	**0.25**	**40,374**	**1,054,000**	1,054,000
December 23, 2015	**1.50**	**110,000**	**1,000,000**	1,000,000
December 23, 2012	**0.60**	**441,542**	**1,261,549**	1,261,549
		1,167,403	**15,055,549**	15,055,549

7. SHARE CAPITAL (continued)

(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.

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 September 30, 2012 and March 31, 2012. The balance of share-based payment reserve as a result of recognizing this stock-based compensation was $1,053,608 (March 31, 2012: $962,856). 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 September 30, 2012 was 3.23 years (March 31, 2012: 3.73 years).

7. SHARE CAPITAL (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:

	Six Months Ended September 30, 2012	Six Months Ended September 30, 2011
	$	$
	90,752	272,252

The following stock options were outstanding:

	Expiry Date	**Exercise Price $**	**Number of Options Issued #**	**Number of Options Exercisable #**
As at March 31, 2012	12/23/15	**0.60**	**2,275,000**	**1,516,667**
As at September 30, 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 TSX-V) 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 TSX-V. 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 September 30, 2012, 4,218,750 shares and 1,812,150 warrants were held in escrow (March 31, 2012: 5,625,000 shares and 2,416,200 warrants).

8. STATEMENT OF CASH FLOWS

Changes in non-cash working capital balances consist of:

	September 30, 2012	September 30, 2011
	$	$
Accrued interest income	**(5,259)**	7,575
Amounts and other receivables	**22,947**	(70,322)
Prepaids and deposits	**9,118**	(109,148)
Accounts payable and accrued liabilities	**(45,640)**	(128,945)
	(18,834)	(300,840)

Supplementary disclosures:

Change in accrued exploration property expenditures	$ (84,074)	$ 577,207

9. RELATED PARTY TRANSACTIONS

During the six-month period ended September 30, 2012, a corporation controlled by a director and officer of the Company charged the following amounts: $nil (2011: $61,493) for equipment.

The remuneration of directors and other members of key management personnel during the six month periods ending September 30, 2012 and 2011 were as follows:

	2012	2011
	$	$
Short-term benefits	**128,750**	128,750
Share-based payments	**55,848**	167,570
	184,598	296,320

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 and 6.

10. 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.

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 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 minimal.

10. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)

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.

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 September 30, 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 current balance of temporary investments, would affect the net loss by approximately plus or minus $15,300 during a twelve-month period.

11. 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 six months ended September 30, 2012 and the year ended March 31, 2012.

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. 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	$ 26,320

Operating lease payments expensed by the Company for the six month periods ending September 30 were as follows:

2012	2011
$	$
28,980	28,980

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.

12. COMMITMENTS AND CONTINGENCIES (continued)

c) Vendor Dispute

The Company has a dispute with one of its vendors with respect to fees in the amount of approximately $1,063,000 charged for drilling services. The Company has included an amount of approximately $853,500 in accounts payable and accrued liabilities. The Company does not believe any amount to be payable and is currently in discussions with the vendor to resolve this dispute.

d) 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.

e) 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).

13. 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 six months ended September 30, 2012 is 39,570,313 (2011: 39,570,313). 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).

14. SUBSEQUENT EVENT

On October 5, 2012, 250,000 share purchase warrants were exercised at a price of $0.25 per warrant for total proceeds of $62,500.

On October 10, 2012, 250,000 stock options were issued under the stock option plan described in note 7(c). The stock options have an exercise price of $0.44 and an expiry date of October 10, 2017.

On November 1, 2012, 277,000 share purchase warrants were exercised at a price of $0.25 per warrant for total proceeds of $69,250.

On November 21, 2012 the Company reached an agreement with Cliffs Natural Resources Exploration Canada Inc., an affiliate of Cliffs Natural Resources Inc.("Cliffs"), to acquire the remaining 20% interest in the Albany graphite deposit discussed in note 4 bringing the Company's total interest in the property to 100%. Pursuant to the terms of the transaction, the Company and Cliffs agree to the following with respect to this agreement:

a) The Company will issue to Cliffs a total of 1,250,000 shares as follows: (i) 500,000 shares upon signing the agreement; (ii) 250,000 shares to be issued upon completion of a pre-feasibility study; (iii) 500,000 shares to be issued upon completion of a feasibility study; and

b) The Company will grant Cliffs a net smelter return royalty of 0.75% on the block claim, of which 0.5% can be purchased at any time for $500,000.