GOLD REACH RESOURCES LTD.

Condensed Consolidated Interim Financial Statements

(expressed in Canadian dollars)

For The Three and Nine Months Ended December 31, 2011 and 2010

(unaudited)

NOTICE TO READER

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, B.C.
February 28, 2012

GOLD REACH RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(unaudited – prepared by management)
(expressed in Canadian dollars)
As at December 31, 2011 and March 31, 2011

	As at December 31, 2011	As at March 31, 2011
ASSETS		
Current		
Cash	$ 87,383	$ 1,607,572
Accounts receivable	351,805	38,709
Prepaid expenses	8,464	58,464
	447,652	1,704,745
Mineral properties (Note 6)	10,842,971	6,849,753
Equipment (Note 7)	77,764	39,971
	$ 11,368,387	$ 8,594,469
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 321,485	$ 175,365
Flow - through premium	144,217	144,217
Deferred income tax liability	250,000	250,000
Due to related parties (Note 8)	68,228	85,709
	783,930	655,291
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	21,701,317	18,601,206
Contributed surplus (Note 9)	1,545,380	1,302,790
Deficit	(12,662,240)	(11,964,818)
	10,584,457	7,939,178
	$ 11,368,387	$ 8,594,469

Nature of operations and ability to continue as a going concern (Note 1)

Approved on behalf of the Board:

"Conrad Swanson" Director

"John Watt" Director

GOLD REACH RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE LOSS/INCOME

(unaudited – prepared by management)

(expressed in Canadian dollars)

For the Three and Nine months ended December 31, 2011 and 2010

	For the Three Months Ended December 31, 2011	For the Three Months Ended December 31, 2010	For the Nine Months Ended December 31, 2011	For the Nine Months Ended December 31, 2010
EXPENSES				
Amortization	$ 4,683	$ 2,388	$ 13,696	$ 6,283
Investor relations	35,028	500	91,086	6,387
Management and administration fees	56,741	43,788	126,982	115,537
Office	10,259	6,444	23,035	16,652
Professional fees	17,347	47,110	94,203	147,620
Rent	6,697	4,725	13,393	12,925
Stock-based compensation	-	-	242,590	127,096
Transfer agent and filing fees	3,503	3,722	23,766	22,861
Travel and promotion	42,127	6,470	76,377	29,056
	(176,385)	(115,147)	(705,128)	(484,417)
OTHER INCOME (EXPENSE):				
Other income	3,000	577	3,000	4,365
Interest income	1,998	1,212	7,224	2,480
Recovery of Part X11-6 taxes	-	-	-	9,630
Loss on disposal of equipment	-	-	-	(17,664)
Interest expense	(453)	(4,313)	(2,518)	(13,187)
LOSS BEFORE INCOME TAXES	4,545	(2,524)	7,706	(14,376)
Recovery of future income taxes	-	-	-	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(171,840)	(117,671)	(697,422)	(498,793)
DEFICIT - BEGINNING OF THE PERIOD	(12,490,400)	(11,941,390)	(11,964,818)	(11,560,268)
DEFICIT - END OF THE PERIOD	$ (12,662,240)	$ (12,059,061)	$ (12,662,240)	$ (12,059,061)
LOSS PER SHARE - BASIC AND DILUTED	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	20,573,901	11,797,011	19,469,572	11,427,011

See accompanying notes to consolidated financial statements.

GOLD REACH RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(unaudited – prepared by management)
(expressed in Canadian dollars)
For the Nine Months ended December 31, 2011 and 2010

	For the Nine Months Ended December 31, 2011	2010
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the period	$ (697,422)	$ (498,793)
Items not affecting cash:		
Stock-based compensation	242,590	127,096
Amortization	13,696	6,284
Loss on disposal of equipment	-	17,664
	(441,136)	(347,749)
Changes in non-cash working capital items:		
Accounts receivable	(313,095)	(14,944)
Prepaid expenses	50,000	500
Accounts payable and accrued liabilities	128,639	(60,613)
Cash used in operating activities	(575,592)	(422,806)
INVESTING ACTIVITIES		
Mineral property exploration costs, net of recoveries	(3,915,718)	(883,938)
Reclamation bond purchase	(77,500)	(5,000)
Equipment purchases	(51,490)	(46,218)
Cash used in investing activities	(4,044,708)	(935,156)
FINANCING ACTIVITIES		
Share capital issued for cash, net of share issuance costs	3,114,806	2,728,057
Share issue costs, cash portion	(14,695)	-
Due to related parties	-	-
Cash provided by financing activities	3,100,111	2,728,057
NET INCREASE IN CASH	(1,520,189)	1,370,095
CASH - BEGINNING OF THE PERIOD	1,607,572	368,665
CASH - END OF THE PERIOD	$ 87,383	$ 1,738,760

See accompanying notes to consolidated financial statements.

GOLD REACH RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(unaudited – prepared by management)

(expressed in Canadian dollars)

For the Nine Months ended December 31, 2011 and 2010

	Number of Shares		Capital Stock		Contributed Surplus		Deficit		Total Equity
Balance, March 31, 2011	15,534,737	$	18,885,423	$	1,302,790	$	(11,964,818)	$	8,223,395
IFRS adjustment	-		(284,218)		-		-		(284,218)
Issued for cash - flow through shares	3,098,333		1,859,000		-		-		1,859,000
Share issue costs	-		(14,695)		-		-		(14,695)
Exercise of stock options	702,939		143,088		-		-		143,088
Exercise of share purchase warrants	4,216,875		1,112,719		-		-		1,112,719
Stock based compensation	-		-		242,590		-		242,590
Net loss and comprehensive loss for the period	-		-		-		(697,422)		(697,422)
Balance, December 31, 2011	23,552,884	$	21,701,317	$	1,545,380	$	(12,662,240)	$	10,584,457
Balance, March 31, 2010	8,845,392	$	16,531,661	$	800,211	$	(11,560,268)	$	5,771,604
Issued for cash - flow through shares	2,000,000		1,050,000		-		-		1,050,000
Exercise of share purchase warrants	75,000		18,750		-		-		18,750
Stock based compensation	-		(67,500)		194,596		-		194,596
Net loss and comprehensive loss for the period	-		-		-		(381,122)		(381,122)
Balance, December 31, 2010	10,920,392	$	17,532,911	$	994,807	$	(11,941,390)	$	6,586,328

1. CORPORATE INFORMATION

The Company is engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties and attainment of profitable operations is principally dependent upon financing being arranged by the Company to continue operations, explore and develop the mineral properties and the discovery, development and sale of ore reserves.

The Company was incorporated under the Business Corporations Act of British Columbia by Certificate of Incorporation dated November 29, 1965. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol GRV-V, as a Tier 2 mining issuer.

The address of the Company's corporate office and principal place of business is Suite 888 - 700 West Georgia Street, Vancouver, British Columbia, V7Y 1G5.

2. BASIS OF OPERATIONS

(a) Statement of Compliance

The consolidated financial statements of the Company for the year ending March 31, 2012 will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP"). These condensed consolidated interim financial statements for the three and nine month periods ended December 31, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

As these condensed consolidated interim financial statements are the Company's first financial statements for the periods ended December 31, 2011, prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2011. The explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Notes 12 and 13. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 28, 2011.

2. BASIS OF OPERATIONS (continued)

(b) Basis of Presentation and Measurement

These condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS")(see 2 note (a)) and include the accounts of the Company and its wholly-owned subsidiary, Ootsa Resources Ltd. All material intercompany accounts and transactions have been eliminated.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(c) Going Concern of Operations

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations over the next year. The Company will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

At December 31, 2011, the Company had not yet achieved profitable operations, had accumulated losses of $12,662,240 since inception, had a working capital deficiency of $336,278 and expects to incur further losses in the development of its business. The Company will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption is not valid then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents:

Cash and cash equivalents include all cash accounts, which are not subject to withdrawal restrictions or penalties, and all short-term highly-liquid investments with original maturities to the holder of three months or less, and which can be converted into known amounts of cash.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Mineral properties:

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable.

The cost of acquiring mineral properties and exploration expenditures are deferred until such time as the mineral properties are placed into production or the prospect is determined by management to be impaired or abandoned; at that time the deferred acquisition costs are amortized on a unit-of-production basis or written off.

Title to mineral properties involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and to the best of the Company's knowledge, titles to all of its properties are in good standing.

(c) Flow-through shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. From time to time, the Company may issue flow-through common shares to finance a significant portion of its exploration program.

Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. As relevant expenses are incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The flow-through share premium is recognized initially as a current liability and then offset against the related deferred tax which is recognized as a tax expense in the income statement.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Stock-based compensation:

The Company accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and non-employees. Under the fair value based method, stock-based compensation is measured at fair value and recognized in operations over the vesting period. Fair value is determined using the Black-Scholes option pricing model. Any consideration paid on exercise of stock options together with the related fair value previously recognized in contributed surplus is credit to share capital.

(e) Share capital:

Proceeds from the exercise of stock options and warrants are recorded as share capital at the amount for which the stock option and warrant enabled the holder to purchase shares of the Company. Share capital issued for non-monetary consideration is recorded at fair value based on the quoted market price on the date of issuance. Share issue costs, which include commissions and professional and regulatory fees are charged directly to share capital.

(f) Future accounting policies:

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

i) IFRS 9, “Financial Instruments”:

As of January 1, 2013, AOC will be required to adopt IFRS 9, “Financial Instruments”, which is the result of the first phase of the IASB’s project to replace IAS 39, “Financial Instruments: Recognition and Measurement”.

The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard should not have a material impact on the Company's consolidated financial statements.

ii) Recent Pronouncements:

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

i) Rehabilitation Provisions

Asset retirement obligation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently estimated.

ii) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

iii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

iv) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

v) Share-based Payment Transactions

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9 (f).

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrumented granted, measured at the repurchase date. Any such excess is recognized as an expense.

5. RECLAMATION BONDS

Included in Mineral Exploration and Development Costs as at December 31, 2011, is the Company's aggregate reclamation bonds posted with the Mining and Minerals Division of the British Columbia Government in the amount of $60,000 (March 31, 2011 - $37,400). The bonds cover the future site restoration costs with respect to the Seel, Ox Lake and Auro Claims. All or part of the $60,000 can be recovered subject to the inspection of the sites and assessment of the restoration costs by the Mining and Minerals Division of the British Columbia Government.

The bonds have not been discounted from their future value because the Company estimates the bonds may be settled within 2 years and the discounting cost being considered immaterial. The Company believes that the amount of the bonds includes sufficient risk premium.

6. MINERAL PROPERTIES

<u>Seel Property</u>

The Company owns a 100% interest in the Seel Property, comprised of 1,800 hectares, subject to a 2% Net Smelter Return Royalty ("NSR").

<u>Ox Lake Property</u>

The Company owns a 100% interest in the Ox Lake property, comprised of 1,458 hectares, subject to a 2% NSR. The Company is entitled to purchase a 1% portion of the NSR from Silver Standard Resources Inc. ("Silver") at any time by the payment to Silver of $500,000 and the Company may purchase the remaining 1% NSR at any time by payment to Silver of an additional $1,000,000.

<u>Auro Property</u>

During January 2010, the Company acquired a 100% interest in thirteen (13) new mineral claims comprising 5,801 hectares ("Auro Property") in central British Columbia. Terms of the property acquisition require a cash payment of $80,000 (paid) and the issuance of 150,000 common shares (issued) valued at a price agreed to the market price of the shares at the date of issuance at $54,000. The vendor retains a 2% NSR, of which 1% can be purchased by the Company at any time for $500,000.

On January 13, 2010, the Company staked an additional nineteen (19) new mineral claims comprising 8,224 hectares contiguous to the Auro Property.

In April 2010, the Company staked an additional 17 mineral claims comprised of 7,886 hectares.

As a consequence of the January 2010 acquisition and subsequent staking of additional claims, the Company owns a 100% interest in 49 claims in the Auro Property comprised 21,912 hectares. In August 2010, the Company amalgamated 32 of the 49 claims into 1 claim resulting in the Company now owning 18 claims with an unchanged total of 21,912 hectares.

During January 2011, the Company acquired a 100% interest in the 407 hectares located in British Columbia, contiguous to the Auro claims.

(expressed in Canadian dollars)

6. MINERAL PROPERTIES (continued)

Expenditures on mineral property acquisition costs for the nine months ended December 31, 2011 are as follows:

(a) Mineral Property Costs for the Nine Months Ended December 31, 2011

	Seel	Ox Lake	Auro	Auro South	Total
Property acquisition costs					
Balance, beginning of the period	$ 325,750	$ 280,000	$ 162,800	$ 3,164	$ 771,714
Cash	169	-	-	-	169
Shares	-	-	-	-	-
Balance, end of the period	325,919	280,000	162,800	3,164	771,883
Deferred exploration and development costs					
Balance, beginning of the period	4,156,102	832,516	1,089,421	-	6,078,039
Incurred during the period:					
Drilling, blasting and trenching	1,159,578	-	409,296	-	1,568,874
Barge	52,926	-	-	-	52,926
Geology	219,822	-	72,885	7,362	300,069
Geophysics	115,355	-	38,024	145,391	298,770
Consulting fees	70,785	-	10,500	-	81,285
Field costs	411,356	-	121,370	-	532,726
Reclamation bond	60,000	-	17,500	-	77,500
Travel and accommodation	21,275	-	7,898	-	29,173
Assaying	241,249	-	20,086	-	261,335
Camp costs	228,977	-	82,027	-	311,004
Fuel	108,092	-	46,932	-	155,024
Insurance	3,585	-	1,552	-	5,137
Safety	-	-	783	-	783
Wages	103,211	-	113,733	-	216,944
Mapping	-	-	11,081	-	11,081
Other	35,420	-	40,627	14,371	90,418
Total expenditures during the period	2,831,631	-	994,294	167,124	3,993,049
Total expenditures, end of the period	6,987,733	832,516	2,083,715	167,124	10,071,088
Balance, end of the period	$ 7,313,652	$ 1,112,516	$ 2,246,515	$ 170,288	$ 10,842,971

(expressed in Canadian dollars)

6. MINERAL PROPERTIES (continued)

At the transition date, April 1, 2010, the Company retained its policy of capitalizing all appropriate acquisition and exploration costs.

(c) Mineral Property Costs for the Year Ended March 31, 2011

	Seel	Ox Lake	Auro	Total
Property acquisition costs				
Balance, beginning of the year	$ 325,750	$ 280,000	$ 134,000	$ 739,750
Cash	-	-	11,164	11,164
Shares	-	-	20,800	20,800
Balance, end of the year	325,750	280,000	165,964	771,714
Deferred exploration and development costs				
Balance, beginning of the year	4,131,132	815,225	175,554	5,121,911
Incurred during the year:				
Drilling	38,959	-	-	38,959
Geology	29,260	6,540	134,516	170,316
Geophysics	14,143	-	184,550	198,693
Consulting fees	4,187	10,751	28,376	43,314
Field costs	-	-	195,804	195,804
Reclamation bond	-	-	5,000	5,000
Travel and accommodation	-	-	17,892	17,892
Assaying	-	-	81,762	81,762
Camp costs	-	-	119,588	119,588
Fuel	-	-	1,991	1,991
Insurance	-	-	4,968	4,968
Safety	-	-	1,845	1,845
Wages	-	-	112,568	112,568
Mapping	1,987	-	2,230	4,217
Other	5,225	-	22,777	28,002
Less: recovery of costs	(48,188)	-	-	(48,188)
Less: IFRS adjustment	(20,603)	-	-	(20,603)
Total expenditures during the year	24,970	17,291	913,867	956,128
Total expenditures, end of the year	4,156,102	832,516	1,089,421	6,078,039
Balance, end of the year	$ 4,481,852	$ 1,112,516	$ 1,255,385	$ 6,849,753

(expressed in Canadian dollars)

7. EQUIPMENT

As at December 31, 2011	Cost	Accumulated Amortization	Net Book Value
Office computers	$7,089	$3,291	$3,798
Vehicles & equipment	94,134	20,168	$73,966
	$101,223	$23,459	$77,764

As at March 31, 2011	Cost	Accumulated Amortization	Net Book Value
Office computers	$3,515	$2,820	$695
Vehicles	46,218	6,942	$39,276
	$49,733	$9,762	$39,971

8. RELATED PARTY TRANSACTIONS

The Company incurred the following transactions with companies controlled by directors of the Company.

	For the nine months ended December 31, 2011	2010
Professional fees	$ 136,537	$ -
Management and administration	$ 59,000	115,537
	$ 195,537	$ 115,537

Key management personnel compensation:

	For the nine months ended December 31, 2011	2010
Management fees	$ 195,537	$ 115,537

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized: Unlimited number of common shares without par value.

(b) Issued and fully paid:

	Number of Shares		Amount
Balance – March 31, 2010	8,845,392	$	16,531,661
Issued for cash – flow through	2,000,000		1,000,000
Issued for cash – flow through	2,884,345		1,586,390
Issued for cash – non flow through	475,000		199,500
Issued for cash – non flow through	240,000		100,800
Issued for cash – non flow through	800,000		336,000
Exercise of warrants	230,000		57,500
Exercise of options	20,000		4,000
Shares issued for mineral property	40,000		20,800
Less: share issue costs	-		(304,228)
Recovery of future tax assets	-		(647,000)
Balance – March 31, 2011	15,534,737	$	18,885,423
IFRS adjustment			(284,218)
Exercise of warrants	4,216,875		1,112,719
Issued for cash – flow through	2,080,000		1,248,000
Issued for cash – flow through	1,018,333		611,000
Exercise of options	702,939		143,088
Less: share issue costs			(14,695)
Balance – December 31, 2011	23,552,884	$	21,701,317

<u>Transactions during the Six Months Ended December 31, 2011</u>

i. On July 15, 2011, the Company completed a non-brokered private placement and raised gross proceeds of $1,248,000 by the issuance of 2,080,000 units (each a "FT Unit") at a purchase price of $0.60 per FT Unit. Each FT Unit consisted of one common share (a "FT Share") in the capital of the Company, to be issued on a flow-through basis under the *Income Tax Act* (Canada), and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant will be exercisable to acquire one non-flow-through common share (a "Warrant Share") in the capital of the Company at an exercise price of $0.90 per Warrant Share at any time until July 14, 2013.

A finder's fee of $11,520 in cash was paid to Haywood Securities Inc. in connection with the above private placement.

ii. On July 15, 2011, the Company granted an additional 223,000 stock options to various directors, offers, employees and consultants of the Company with each option exercisable at $0.65 per share for a term of five years expiring July 15, 2016.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

b) Issued and Outstanding Share Capital (continued)

iii. On September 15, 2011, the Company completed an additional non-brokered private placement and raised gross proceeds of $611,000 by the issuance of 1,018,333 units (each a "FT Unit") at a purchase price of $0.60 per FT Unit. Each FT Unit consisted of one common share (a "FT Share") in the capital of the Company, to be issued on a flow-through basis under the *Income Tax Act* (Canada), and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant will be exercisable to acquire one non-flow-through common share (a "Warrant Share") in the capital of the Company at an exercise price of $0.90 per Warrant Share at any time until September 15, 2013.

iv. On September 20, 2011, the Company granted an additional 100,000 stock options to various directors, offers, employees and consultants of the Company with each option exercisable at $0.70 per share for a term of five years expiring September 20, 2016.

Transactions during the Year ended March 31, 2011

i. In June 2010 the Company completed a non-brokered private placement (the "Private Placement") to raise aggregate gross proceeds to the Company of $1,000,000 through the issuance of 2,000,000 flow-through units (each a "Flow-Through Unit") at a purchase price of $0.50 per Flow-Through Unit. Each Flow-Through Unit consist of one common share in the capital of the Company, issued on a flow-through basis under the provisions of the Income Tax Act (Canada), and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one non-flow-through common share of the Company at an exercise price of $0.75 per share at any time until June 1, 2011.

As payment of a finder's fee in connection with this private placement, the Company recorded $67,500 in non-cash share issue costs upon the issuance of 150,000 non-transferable options (each a "Finder's Option") and paid a cash finder's fee of $50,000. Each Finder's Option is exercisable to acquire a unit (a "Finder's Unit") of the Company at an exercise price of $0.50 per Finder's Unit for a period of 12 months from the Closing Date. Each Finder's Unit consists of one non-flow-through common share in the capital of the Company and one-half of one non-transferable common share purchase warrant (each whole warrant, a "Finder's Warrant"). Each whole Finder's Warrant entitles the holder thereof to purchase one non-flow-through common share of the Company at an exercise price of $0.75 per share at any time until June 1, 2011.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

b) Issued and Outstanding Share Capital (continued)

ii. In January 2011, the Company completed a non-brokered private placement offering (the "Offering") of 2,884,345 flow-through units (each a "FT Unit") at a price of $0.55 per FT Unit and 475,000 non-flow-through units (each an "NFT Unit") at a price of $0.42 per NFT Unit to raise gross proceeds to the Company of $1,785,890. Each FT Unit was comprised of one common share of the Company, intended to qualify as a flow-through share under the *Income Tax Act*

(Canada), and one common share purchase warrant entitling the holder to acquire an additional non-flow-through common share at a price of $0.60 per share at any time until January 7, 2013 (the "Closing Date). Each NFT Unit was comprised of one non-flow-through common share of the Company and one common share purchase warrant.

Finder's at arm's length to the Company received a finder's fee paid in warrants (the "Finder's Warrants") equal to 7% of number of FT Units and NFT Units placed and a 7% cash consideration for the proceeds raised via the Offering.

A total of 141,564 Finder's Warrants were issued and a total of $75,085 was paid in commission. The finders warrants entitle the holder to acquire an additional non-flow-through common share at a price of $0.60 per share at any time until January 7, 2013.

iii. In February 2011, the Company completed a non-brokered private placement unit offering of 240,000 Units to raise gross proceeds of $100,800. Each Unit was comprised on one common share of the Company at a subscription price of $0.42 per common share and one full share purchase warrant ("Warrant") entitling the holder thereof to purchase one additional common share of the Company at an exercise price of $0.60 for a two year period expiring February 7, 2013.

Each Warrant will be subject to accelerated expiry provisions such that if at any time after the date of Closing of the private placement, the Company's common shares trade on the TSX Venture Exchange at or above a weighted average trading price of $1.00 per share for 10 consecutive trading days, the Company may give notice to the holders that each Warrant will expire 30 days from the date of providing such notice.

There is no Finder's Fee in this transaction.

In March 2011, the Company completed an additional 800,000 unit non-brokered private placement Unit Offering to raise gross proceeds of $336,000. Each Unit was comprised of one common share of the Company at $0.42 per Unit and one full Warrant entitling the holder to purchase one additional common share of the Company at an exercise price of $0.60 for a two-year period expiring March 3, 2013.

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Each Warrant is subject to accelerated expiry provisions such that if at any time after the date of closing of the private placement, the Company's common shares trade on the TSX Venture Exchange at or above a weighted average trading price of $1.00 per share for 10 consecutive trading days, the Company may give notice to the holders that each Warrant will expire 30 days from the date of providing such notice.

(c) Share purchase warrants:

A continuity schedule of outstanding share purchase warrants for the nine months ended December 31, 2011 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2010	5,256,875	$0.28
Issued	1,000,000	$0.75
Issued	475,000	$0.60
Issued	2,884,345	$0.60
Issued	240,000	$0.60
Issued	800,000	$0.60
Exercised	(230,000)	$0.25
Balance, March 31, 2011	10,426,220	$0.46
Issued	2,080,000	$0.90
Issued	1,018,333	$0.90
Expired	(1,000,000)	$0.75
Exercised	(3,926,875)	$0.25
Exercised	(140,000)	$0.40
Balance, December 31, 2011	8,457,678	$0.74

As at December 31, 2011 outstanding share purchase warrants are:

Number of Warrants	Exercise Price	Expiry Date
960,000	$0.40	March 31, 2012
475,000	$0.60	December 31, 2012
2,884,345	$0.60	December 31, 2012
240,000	$0.60	February 7, 2013
800,000	$0.60	March 3, 2013
2,080,000	$0.90	July 14, 2013
1,018,333	$0.90	September 15, 2013
8,457,678		

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(d) Agents' warrants:

A continuity schedule of outstanding agents' warrants for the nine months ended December 31, 2011 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2010	-	$ -
Issued	75,000	$0.75
Issued	150,000	$0.50
Issued	141,564	$0.60
Balance, March 31, 2011	366,564	$0.59
Expired	(75,000)	$0.75
Exercised	(150,000)	$0.50
Balance, December 31, 2011	141,564	$0.60

As at December 31, 2011 outstanding agent's warrants are:

Number of Warrants	Exercise Price	Expiry Date
141,564	$0.60	December 31, 2012

(e) Stock options:

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(e) Stock options (continued)

A summary of the Company's option transactions for the nine months ended December 31, 2011 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance, March 31, 2010	773,739	$0.21	1.71
Granted	110,800	$0.30	
Granted	100,000	$0.45	
Granted	105,000	$0.45	
Granted	380,934	$0.50	
Granted	48,800	$0.50	
Granted	80,000	$0.60	
Expired	(40,800)	$0.35	
Exercised	(20,000)	$0.20	
Forfeited	(10,000)	$0.30	
Balance, March 31, 2011	1,528,473	$0.35	2.54
Granted	78,000	$0.50	
Granted	223,000	$0.65	
Granted	100,000	$0.70	
Exercised	(692,939)	$0.20	
Exercised	(10,000)	$0.45	
Forfeited	(30,000)	$0.50	
Balance, December 31, 2011	1,196,534	$0.52	3.67

(expressed in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(e) Stock options (continued)

As at December 31, 2011 outstanding stock options are:

Number of Options	Exercise Price	Expiry Date
20,000	$0.20	January 4, 2012
100,800	$0.30	March 31, 2015
100,000	$0.45	June 8, 2015
95,000	$0.45	July 13, 2015
350,934	$0.50	January 7, 2016
48,800	$0.50	February 7, 2013
80,000	$0.60	March 3, 2013
78,000	$0.50	May 18, 2016
223,000	$0.65	July 14, 2016
100,000	$0.70	September 20, 2016
1,196,534		

(f) Contributed surplus:

During the nine months ended December 31, 2011, $242,590 (2010 - $127,096) was recorded as stock-based compensation expense and 401,000 (2010 – 250,000) incentive stock options were granted.

	For the nine months ended Dec.31,2011	For the year ended March 31, 2011
Expected dividend yield	0%	0%
Expect stock volatilty	165% - 171%	157% - 252%
Exercise price	$0.50 to $0.70	$0.30 - $0.60
Risk - free interest rate	$0.92 - 1.57%	1.40% - 1.77%
Expected life of options	5 years	2 - 5 years

A continuity of contributed surplus is as follows:

	For the nine months ended Dec.31,2011	For the year ended March 31, 2011
Balance, beginning of period	$ 1,302,790	$ 800,211
Stock- based compensation - share issue cost	-	131,203
Stock- based compensation - expensed	242,590	371,376
Balance, end of period	$ 1,545,380	$ 1,302,790

10. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK

All financial instruments, including derivatives, are included on the Company's balance sheet and measured at either fair value or amortized cost.

The Company's financial assets consist of cash and cash equivalents, which are designated as held for trading and measured at fair value, and amounts receivable, which are designated as receivables and measured at amortized cost. The Company's financial liabilities consist of accounts payable and accrued liabilities, demand loan payable and due to related parties, which are designated as other financial liabilities and measured at amortized cost. The fair values of the Company's financial instruments measured at amortized costs approximate their carrying values due to their short-term nature.

The Company's cash and cash equivalents are classified as Level 1 of the fair value hierarchy, which include unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company does not have any other instruments measured at fair value.

Financial Instrument Risk Exposure and Risk Management

The Company is exposed to credit, liquidity and market risk with respect to its financial instruments. The types of the risk exposure and the ways in which such exposures are managed are provided as follows:

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and amounts receivable. The Company limits exposure to credit risk arising from its cash and cash equivalents by maintaining its cash and cash equivalents with high credit quality financial institutions. The Company's receivables consist of sales taxes due from the Federal Government of Canada. The Company has not experienced and does not expect to experience any bad debts on its receivables outstanding at December 31, 2011.

(b) *Liquidity risk*:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and commitments as they become due. The Company ensures that there is sufficient working capital in order to meet short-term business requirements. The Company has determined that it has sufficient funds to meet its business requirements as they become due.

10. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK (continued)

(c) *Market risk*:

The market risk exposures to which the Company is exposed are interest rate risk and foreign currency exchange risk.

(*i*) 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 Company's interest-bearing financial instruments are comprised of cash and cash equivalents, which bear interest at variable rates.

(*ii*) Foreign currency exchange risk:

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Company's functional currency is the Canadian dollar.

The Company incurs foreign currency exchange risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of shareholders' equity.

The Company considers its foreign currency exchange risk as minimal and immaterial and does not enter into any foreign currency hedging contracts.

Capital Disclosures

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to explore and develop its projects for the benefit of its shareholders and other stakeholders. The Company considers the components of shareholders' equity, and debt (if any), as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of underlying assets. Since the Company is in the exploration stage, the Company may issue new shares through public offering and/or private placements of its common shares in order to maintain or adjust its capital structure.

In order to facilitate the management of its capital requirements, the Company prepares periodic expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

11. SEGMENTED INFORMATION

During the nine months ended December 31, 2011 and 2010, the Company operated in one reportable operating segment, being the acquisition, exploration and development of mineral properties. Administrative expenses and working capital balances are located in Canada.

12. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's consolidated financial statements for the year ending March 31, 2012 will be the first annual financial statements to be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was April 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be March 31, 2012.

Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

The Company has determined that none of the mandatory exceptions listed in IFS 1, Appendix B, item B1 were applicable and accordingly none of the mandatory exceptions were applied.

Four optional exemptions were applied.

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first time adopters certain exemptions from the retrospective application of certain IFRS.

The Company applied the following exemptions:

<u>*Deemed costs*</u>

At the transition date, the Company elected to continue with the policy of measuring mineral property costs at the previous Canadian GAAP historical cost. Up to the transition date, only property acquisition costs had been capitalized.

Also at the transition date, the Company adopted a new mineral properties policy of capitalizing acquisition costs (a continuance of the GAAP policy) and to capitalize exploration and evaluation costs as permitted under IFRS 6 *Exploration for and Evaluation of Mineral Properties.* These additional costs which had been incurred (and previously expensed) prior to the transition date were capitalized to Mineral Properties at the transition date. Eligible exploration costs after transition were also capitalized.

12. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Share-based Payment Transactions

The exemption directs that a first-time adopter is encouraged, but not required, to apply IFRS 2 Share-based payment transactions to equity instruments that were granted on or before November 7, 2002. This exemption has been taken, since it restricts the time period for share-based payment review to November 7, 2002 forward.

Under a second exemption, options granted subsequent to November 7, 2002 which vested prior to the transition date require no further review. The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

Options unvested at the transition date would be subject to review. At the transition date, the Company had no unvested options. The Company expensed the vested portion of these options during the period options were granted prior to the transition date. No adjustment is required upon transition.

Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 provides guidance on how an entity should account for such transactions in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IAS 32 Financial Instruments: Presentation.

A first-time adopter may apply the transitional provisions in IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments for such transactions occurring prior to the Transition date.

Cumulative Translation Differences

The exemption directs that cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS: and the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to IFRS and shall include later translations differences. Taking the exemption is precautionary in nature. Any potential subsequent re-interpretation of the functional currency of the company will be limited retroactively to the date of transition.

13. RECONCILIATIONS OF PRE-CHANGEOVER CANADIAN GAAP FOR THE STATEMENTS OF FINANCIAL POSITION, STATEMENTS OF COMPREHENSIVE LOSS/INCOME AND STATEMENTS OF CASH FLOW TO IFRS

IFRS 1 requires an entity to reconcile the statements of financial position, comprehensive loss and cash flows for prior periods from GAAP to IFRS. The changes made to the statement of financial position and statements of comprehensive income have resulted in no material adjustments to the statements of cash flows. Accordingly, no reconciliations of cash flows have been provided.

(expressed in Canadian dollars)

RECONCILIATION OF CONDENSED CONSOLIDATED COMPREHENSIVE LOSS/INCOME FOR THE THREE MONTHS DECEMBER 31, 2010

	For the three months to December 31, 2010 GAAP	IFRS Adjustments	For the three months to December 31, 2010 IFRS
EXPENSES			
Amortization	$ 2,388	$ -	$ 2,388
Investor relations	500	-	500
Management and administration fees	43,788	-	43,788
Office	6,444	-	6,444
Professional fees	47,110	-	47,110
Rent	4,725	-	4,725
Stock-based compensation	-	-	-
Transfer agent and filing fees	3,722	-	3,722
Travel and promotion	6,470	-	6,470
	(115,147)	-	(115,147)
OTHER INCOME (EXPENSE):			
Other income	577	-	577
Interest income	1,212		
Reduction in Part X11-6 taxes	-	-	-
Loss on disposal of equipment	-	-	-
Interest expense	(4,313)	-	(4,313)
LOSS BEFORE INCOME TAXES	(2,524)	-	(2,524)
Recovery of future income taxes	-	-	-
		-	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(117,671)	-	(117,671)
DEFICIT - BEGINNING OF THE PERIOD	$ (11,941,390)	-	$ (11,941,390)
DEFICIT - END OF THE PERIOD	$ (12,059,061)	$ -	$ (12,059,061)
LOSS PER SHARE - BASIC AND DILUTED	$ (0.01)	$ (0)	$ (0.01)

(expressed in Canadian dollars)

RECONCILIATION OF CONDENSED CONSOLIDATED COMPREHENSIVE LOSS/INCOME FOR THE NINE MONTHS DECEMBER 31, 2010

	For the nine months to December 31, 2010 GAAP	IFRS Adjustments	For the nine months to December 31, 2010 IFRS
EXPENSES			
Amortization	$ 6,283	$ -	$ 6,283
Investor relations	6,387	-	6,387
Management and administration fees (Note 9)	115,537	-	115,537
Office	16,652	-	16,652
Professional fees	147,620	-	147,620
Rent	12,925	-	12,925
Stock-based compensation (Note 7)	127,096	-	127,096
Transfer agent and filing fees	22,861	-	22,861
Travel and promotion	29,056	-	29,056
	(484,417)	-	(484,417)
OTHER INCOME (EXPENSE):			
Other income	4,365	-	4,365
Interest income	2,480		
Reduction in Part X11-6 taxes	9,630	-	9,630
Loss on disposal of equipment	(17,664)	-	(17,664)
Interest expense	(13,187)	-	(13,187)
LOSS BEFORE INCOME TAXES	(14,376)	-	(14,376)
Recovery of future income taxes	-	-	-
		-	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(498,793)	-	(498,793)
DEFICIT - BEGINNING OF THE PERIOD	$ (11,560,268)	-	$ (11,560,268)
DEFICIT - END OF THE PERIOD	$ (12,059,061)	$ -	$ (12,059,061)
LOSS PER SHARE - BASIC AND DILUTED	$ (0.04)	$ (0)	$ (0.04)

14. SUBSEQUENT EVENTS

In early January 2012 the Company granted additional incentive stock options to various directors, officers, employees and consultants to purchase a total of 1,158,000 common shares in the capital stock of the Company, exercisable at any time during a five year period expiring January 3, 2017, at a price of $0.60 per share.

Later in January 2012 the Company granted additional incentive stock options to a director to purchase a total of 22,754 common shares in the capital stock of the Company, exercisable at any time during a five year period expiring January 23, 2017, at a price of $0.70 per share..