GOLD REACH RESOURCES LTD.

Consolidated Financial Statements

(expressed in Canadian dollars)

For The Years Ended March 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Gold Reach Resources Ltd.

We have audited the accompanying consolidated financial statements of Gold Reach Resources Ltd. and its subsidiary, which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010, and the consolidated statements of comprehensive loss/income, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gold Reach Resources Ltd. and its subsidiary as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and March 31, 2011, in accordance with International Financial Reporting Standards.

(signed) “BDO Canada LLP”

Chartered Accountants

Vancouver, British Columbia
June 28, 2012

GOLD REACH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian dollars)
For the Years Ended March 31, 2012 and 2011

	As at March 31, 2012	As at March 31, 2011	As at April 1, 2010
ASSETS			
Current			
Cash and cash equivalents (Note 13i)	$ 6,280,738	$ 1,607,572	$ 368,665
Taxes receivable	40,328	38,709	28,256
Other receivable – Note 10	83,059	-	-
Prepaid expenses	83,464	58,464	4,500
Total Current Assets	6,487,589	1,704,745	401,421
Exploration and evaluation assets (Note 6)	8,352,494	6,849,753	5,841,058
Equipment (Note 7)	73,082	39,971	20,089
Total Non-Current Assets	8,425,576	6,889,724	5,861,147
Total Assets	$ 14,913,165	$ 8,594,469	$ 6,262,568
LIABILITIES			
Current			
Trade and other payables (Notes 10 and 17)	$ 214,367	$ 175,365	$ 257,355
Promissory notes payable (Note 8)	-	-	128,703
Other Liabilities (Note 9)	-	374,965	-
Due to related parties (Note 10)	-	85,709	125,509
Total Current Liabilities	214,367	636,039	511,567
Deferred income tax liabilities (Note 17)	539,000	-	-
Total Non-Current Liabilities	539,000	-	-
Total Liabilities	753,367	636,039	511,567
SHAREHOLDERS' EQUITY			
Share capital (Note 11)	22,708,764	19,017,458	16,531,661
Contributed surplus (Note 11)	2,025,905	1,302,790	800,211
Deficit	(10,574,871)	(12,361,818)	(11,580,871)
Total Shareholders' Equity	14,159,798	7,958,430	5,751,001
Total Liabilities and Shareholders' Equity	$ 14,913,165	$ 8,594,469	$ 6,262,568

Signed on behalf of the Board of Directors by:

"Conrad Swanson" Director
"John Watt" Director

See accompanying notes to consolidated financial statements.

GOLD REACH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS/INCOME
(expressed in Canadian dollars)
For the Years Ended March 31, 2012 and 2011

	For the Years Ended March 31, 2012	2011
EXPENSES		
Amortization	$ 18,379	$ 8,671
Investor relations	116,414	24,718
Management and administration fees (Note 10)	221,235	169,606
Office	31,860	25,499
Part X11.6 tax and penalties (Note 17)	-	3,818
Professional fees	149,887	161,093
Rent	18,193	15,157
Share based payments (Note 12)	934,050	371,376
Transfer agent and filing fees	25,510	46,566
Travel and promotion	106,905	67,910
	(1,622,433)	(894,414)
OTHER INCOME (EXPENSE):		
Interest income	9,288	2,722
Interest expense	(2,814)	(15,956)
Miscellaneous income	3,000	-
Gain on sale of exploration and evaluation assets (Note 6)	3,563,941	-
Flow through share income (Note 9)	374,965	140,000
Operator fees	-	4,365
Loss on write-off of assets	-	(17,664)
INCOME (LOSS) BEFORE INCOME TAXES	2,325,947	(780,947)
INCOME TAXES (Note 17)	(539,000)	-
NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 1,786,947	$ (780,947)
INCOME (LOSS) PER SHARE -- BASIC	$ 0.09	$ (0.07)
INCOME (LOSS) PER SHARE -- DILUTED	$ 0.06	$ (0.07)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	19,488,188	11,542,381

See accompanying notes to consolidated financial statements.

GOLD REACH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in Canadian dollars)
For the Years Ended March 31, 2012 and 2011

	For the Years Ended March 31, 2012	2011
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income (loss) for the year	$ 1,786,947	$ (780,947)
Items not affecting cash:		
Share based payments	934,050	371,376
Amortization	18,379	8,671
Loss on write off of assets	-	17,664
Interest expense	-	10,200
Gain on sale of exploration and evaluation assets	(3,563,941)	-
Other income – flow through shares premium	(374,965)	(140,000)
Future income taxes	539,000	-
Part X11.6 tax and penalties	-	13,448
	(660,530)	(499,588)
Changes in non-cash working capital items:		
Taxes recoverable	(1,619)	(10,453)
Other receivable	(83,059)	-
Prepaid expenses	(25,000)	(53,964)
Trade and other payables	45,037	(95,438)
Cash used in operating activities	(725,171)	(659,443)
INVESTING ACTIVITIES		
Investment in exploration and evaluation assets	(3,944,835)	(987,895)
Proceeds from sale of exploration and evaluation assets	6,000,000	-
Acquisition of equipment	(51,490)	(46,217)
Cash from (used in) investing activities	2,003,675	(1,034,112)
FINANCING ACTIVITIES		
Proceeds from share issuances	3,502,806	3,284,190
Share issue costs	(22,435)	(173,025)
Promissory notes	-	(128,703)
Due to related parties	(85,709)	(50,000)
Cash provided by financing activities	3,394,662	2,932,462
NET INCREASE IN CASH	4,673,166	1,238,907
CASH AND CASH EQUIVALENTS -- BEGINNING OF THE YEAR	1,607,572	368,665
CASH AND CASH EQUIVALENTS -- END OF THE YEAR	$ 6,280,738	$ 1,607,572

See accompanying notes to consolidated financial statements.

GOLD REACH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(expressed in Canadian dollars)
For the Years Ended March 31, 2012 and 2011

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, March 31, 2010	8,845,392	$ 16,531,661	$ 800,211	$ (11,580,871)	$ 5,751,001
Issued for cash - flow through shares, net of premium	4,884,345	2,071,425	-	-	2,071,425
Issued for cash - non flow through shares	1,515,000	636,300	-	-	636,300
Exercise of share purchase warrants	230,000	57,500	-	-	57,500
Share issue costs		(304,228)	-	-	(304,228)
Exercise of options	20,000	4,000	-	-	4,000
Shares issued for mineral property	40,000	20,800	-	-	20,800
Stock based compensation - share issue cost		-	131,203	-	131,203
Stock based compensation - expensed		-	371,376	-	371,376
Net loss and comprehensive loss for the year		-	-	(780,947)	(780,947)
Balance, March 31, 2011	15,534,737	$ 19,017,458	$ 1,302,790	$ (12,361,818)	$ 7,958,430
Balance, April 1, 2011	15,534,737	$ 19,017,458	$ 1,302,790	$ (12,361,818)	$ 7,958,430
Issued for cash - flow through shares	3,098,333	1,859,000	-	-	1,859,000
Share issue costs	-	(22,436)	-	-	(22,436)
Exercise of stock options	722,939	147,088	-	-	147,088
Exercise of share purchase warrants	5,176,875	1,496,719	-	-	1,496,719
Adjustment to contributed surplus on exercise of stock options		210,935	(210,935)	-	-
Stock based compensation	-	-	934,050	-	934,050
Net income and comprehensive income for the year	-	-	-	1,786,947	1,786,947
Balance, March 31, 2012	24,532,884	$ 22,708,764	$ 2,025,905	$ (10,574,871)	$ 14,159,798

See accompanying notes to consolidated financial statements.

1. CORPORATE INFORMATION

Gold Reach Resources Ltd. ("Gold Reach") (the "Company") is engaged principally in the acquisition, exploration and development of exploration and evaluation assets. The recovery of the Company's investment in exploration and evaluation assets 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 PREPARATION

(a) Statement of Compliance

These consolidated financial statements of the Company for the year ending March 31, 2012 have been 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"). As these consolidated financial statements for the year ended March 31, 2012 are the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

These consolidated financial statements include an explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company as set forth in Note 20.

These consolidated financial statements were authorized for issue by the Board of Directors on June 28, 2012.

(b) Basis of Presentation and Measurement

These consolidated financial statements are prepared in accordance with IFRS (see 2(a)) and include the accounts of the Company and its wholly-owned subsidiary, Ootsa Resources Ltd. (incorporated under the laws of the Province of British Columbia). In May 2012, Ootsa Lake Resources Ltd. changed its name to Ootsa Ventures Ltd. All material intercompany accounts and transactions have been eliminated.

The financial statements have been prepared on a historical cost basis.

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

2. BASIS OF PREPARATION (continued)

(b) Basis of Presentation and Measurement (continued)

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.

At March 31, 2012, the Company had working capital of $6,273,222, and has determined that it has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements and in preparing the opening IFRS statement of financial position at April 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(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.

(b) Exploration and Evaluation Expenditures:

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Exploration and Evaluation Expenditures: (continued)

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as ‘mines under construction’. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

(d) Equipment

<u>Recognition and Measurement</u>

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

<u>Subsequent Costs</u>

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Equipment (continued)

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation

The Company provides for depreciation using the declining balance method at the following annual rates:

Office computers	30%
Vehicles	20% - 30%

Additions during the year are depreciated at one-half the annual rate. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Provisions (continued)

Rehabilitation Provision (continued)

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(f) Share-based Payment Transactions

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 all 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.

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. Options or warrants granted 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Share-based Payments Transactions (continued)

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 instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(g) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(h) Basic and Diluted Loss per Share:

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments

Financial Assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired as either financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, held to maturity investments (“HTM”), or available for sale financial assets (“AFS”), as appropriate. There are no financial assets designated as FVTPL, HTM or AFS.

All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments (continued)

Financial Liabilities (continued)

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

The Company has classified its financial instruments as follows:

- Cash and cash equivalents, and other receivable are classified loans and receivables.
- Trade payables and other payables, promissory notes payables, other liabilities and due to related parties are classified as other liabilities.

(j) Government Grants

From time to time the Company receives government incentive programs such as investment tax credits. Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense. In the event the investment tax credits received are less than the amount claimed, the difference will be reflected in profit or loss in the year in which it is determined.

(k) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Flow-through Shares

The Company will from time to time, 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. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Share Capital (continued)

Flow-through Shares (continued)

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 portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds in Note 17.

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.

(l) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after April 1, 2011 or later periods.

The Company has early adopted the amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs'. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011; however, the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

The following standards and interpretations have been issued but are not yet effective:

New standard IFRS 9, "Financial Instruments"

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Standards, Amendments and Interpretations Not Yet Effective (continued)

New standard IFRS 10, "Consolidated Financial Statements"

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

New standard IFRS 11, "Joint Arrangements"

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

New standard IFRS 12, "Interest in other Entities"

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

New standard IFRS 13, "Fair Value Measurement"

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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 financial statements within the next financial year are discussed below:

(a) Rehabilitation Provisions

Rehabilitation 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.

At March 31, 2012, the Company did not have any significant rehabilitation provisions.

(b) 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.

(c) 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)

(d) 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.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward only 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.

(e) Share-based Payment Transactions

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 12.

5. RECLAMATION BONDS

Included in Mineral Exploration and Development Costs as at March 31, 2012, is the Company's aggregate reclamation bonds posted with the Mining and Minerals Division of the British Columbia Government in the amount of $119,000 (March 31, 2011 - $42,400). All or part of the $119,000 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. EXPLORATION AND EVALUATION EXPENDITURES

Seel Property

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

Ox Lake Property

The Company owns a 100% interest in the Ox Lake property, 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.

Auro Property

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 owned 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.

In March 2012, the Company sold all of the Company's mineral interests known as the Auro and Auro South properties ("Properties") to New Gold Inc. ("New Gold"). The Properties are located southeast of New Gold's Blackwater Gold deposit. Under the terms of the purchase agreement, the Company sold a 100% interest in the Properties for a Cdn. $6,000,000 cash payment. The Company has retained a 2% net smelter return royalty ("NSR") on the Properties and New Gold has committed to spend Cdn. $1,500,000 ("the Work Commitment Amount") on exploration expenditures on the Properties as follows:

a) A minimum of $500,000 during the balance of 2012
b) A minimum of an additional $500,000 during calendar year 2013, and
c) A minimum of an additional $500,000 during calendar year 2014

(expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Auro Property (continued)

If New gold is unable to obtain an exploration permit from the Ministry of Energy and Mines (BC) pursuant to the Mines Act (BC) in 2012 authorizing certain exploration activities on the Properties in a timely manner, then New Gold shall have the right to apply the unspent potion of the $500K required to be spent during the balance of 2012 to the Work Commitment Amount required to be spent during calendar year 2013.

If New Gold fails to incur the minimum Work Commitment Amount within any of the periods disclosed as above, in lieu of the incurrence of such expenditures, within 30 days of the completion of such period, New Gold will pay to Gold Reach in cash an amount equal to such deficiency.

The gain on the sale of the Properties was as follows:

Proceeds received	$	6,000,000
Less: cumulative property acquisition costs		(165,964)
Less: cumulative exploration and evaluation expenditures		(2,270,095)
Gain on sale of the Auro properties	$	3,563,941

The sale arrangement with New Gold did not include the recovery of the Company's $22,500 rehabilitation bond which the Company estimates is fully recoverable from the provincial agency holding the bond.

(expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Expenditures on mineral property acquisition and exploration costs for the year ended March 31, 2012 are as follows:

	Seel	Ox Lake	Auro	Auro South	Total
Property acquisition costs					
Balance, beginning of the year	$ 325,750	$ 280,000	$ 162,800	$ 3,164	$ 771,714
Cash	597	-	-	-	597
Less: Sale of Auro and Auro South	-	-	(162,800)	(3,164)	(165,964)
Balance, end of the year	326,347	280,000	-	-	606,347
Deferred exploration and development costs					
Balance, beginning of the year	4,156,102	832,516	1,089,421	-	6,078,039
Incurred during the year:					
Drilling, blasting and trenching	1,159,578	-	409,296	-	1,568,874
Barge	52,926	-	-	-	52,926
Geology	235,647	-	80,665	7,362	323,674
Geophysics	115,618	-	38,024	145,391	299,033
Consulting fees	72,010	-	10,500	-	82,510
Field costs	378,431	-	155,345	-	533,776
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	229,520	-	82,027	-	311,547
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
B.C. mining tax credit	(157,859)	76,326	-	-	(81,533)
Other	35,420	-	40,627	14,372	90,419
Total expenditures during the year	2,658,703	76,326	1,036,049	167,125	3,938,203
Less: Sale of Auro and Auro South	-	-	(2,102,970)	(167,125)	(2,270,095)
Total expenditures, net end of the year	6,814,805	908,842	22,500	-	7,746,147
Balance, end of the year	$7,141,152	$1,188,842	$ 22,500	$ -	$8,352,494

(expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Mineral Property Costs for the Year Ended March 31, 2011

	Seel	OxLake	Auro	Total
Property acquisition costs				
Balance, beginning of the year - April 1, 2010	$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 – April 1, 2010	4,110,529	815,225	175,554	5,101,308
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)
Total expenditures during the year	45,573	17,291	913,867	976,731
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

	Office equipment	Camp vehicles and equipment	Total
Cost			
Balance at April 1, 2010	3,515	53,942	57,457
Additions	-	46,218	46,218
Disposals	-	(53,942)	(53,942)
Balance at March 31, 2011	3,515	46,218	49,733
Additions	3,574	47,916	51,490
Disposals	-	-	-
Balance at March 31, 2012	7,089	94,134	101,223
Depreciation and impairment			
Balance at April 1, 2010	2,523	34,845	37,368
Additions	297	8,374	8,671
Disposals	-	(36,277)	(36,277)
Balance at March 31, 2011	2,820	6,942	9,762
Additions	745	17,634	18,379
Disposals	-	-	-
Balance at March 31, 2012	3,565	24,576	28,141
Carrying amounts			
At April 1, 2010	992	19,097	20,089
At March 31, 2011	695	39,276	39,971
At March 31, 2012	3,524	69,558	73,082

8. PROMISSORY NOTES

During September 2009, the Company arranged for unsecured loans totalling $125,000, of which $60,000 was from directors of the Company. The loans were repayable on or before October 4, 2010 together with interest set at a rate equal to the prime rate of CIBC commercial loans plus 5% interest per annum. As there was a balance owing after October 4, 2010, the interest rate was adjusted to be equal to the prime rate of CIBC commercial loans plus 8% interest per annum on the outstanding balance.

During the year ended March 31, 2011, the Company paid the full principal balance of the Promissory Notes plus accrued interest.

(expressed in Canadian dollars)

9. OTHER LIABILITIES

Other liabilities include the liability arising from the premium received on the issue of flow-through shares and for which qualified expenditures have not been incurred. The following is a continuity schedule of the liability portion of the flow-through shares issuances.

	Total
Balance at April 1, 2010	$ -
Liability incurred on flow-through shares issued	514,965
Settlement of flow-through share liability on incurring expenditures	(140,000)
Balance at March 31, 2011	374,965
Settlement of flow-through share liability on incurring expenditures	(374,965)
Balance at March 31, 2012	$ -

Transactions during the Year Ended March 31, 2012

a) 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 flow-through units. No flow-through premium was recognized in respect to these flow-through placements.

b) 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 flow-through units. No flow through premium was recognized in respect to these flow-through placements.

Transactions during the Year ended March 31, 2011

a) 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. A flow through premium of $140,000 has been recognized in respect of these flow-through placements, which is recorded as a liability until the relevant expenditures are incurred.

b) In January 2011, the Company completed a non-brokered private placement offering (the “Offering”) of 2,884,345 flow-through units at a price of $0.55 per flow-through Unit to raise gross proceeds to the Company. A flow through premium of $374,965 has been recognized in respect of these flow-through placements, which is recorded as a liability until the relevant expenditures are incurred.

During the year ended March 31, 2011, the Company incurred qualifying expenditures of $1,000,000 which resulted in $140,000 of the liability being derecognized and included in other income.

During the year ended March 31, 2012, the Company incurred qualifying expenditures of $1,586,390 which resulted in $374,965 of the liability being derecognized and included in other income.

(expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

(a) During the year ended March 31, 2012, management and director fees of $125,000 (2011: $114,000) were paid to directors or officers of the Company or to companies controlled by directors or officers of the Company.

(b) During the year ended March 31, 2012, mineral property consulting fees of $199,618 (2011: $25,700) were paid to directors or officers of the Company or to companies controlled by directors or officers of the Company.

(c) During the year ended March 31, 2012, administration fees of $31,410 (2011: $14,600) and rent of $Nil (2011: $8,200) were paid to a Company controlled by a director or officer of the Company.

(d) Included in accounts payable and accrued liabilities is $25,139 (2011: $Nil) owing to two directors of the Company for unpaid management and legal fees.

(e) Included in other receivables is $79,805 (2011: $Nil) owing from a director of the Company for expense advances, and from a company with directors in common for its share of the office rent and administration costs.

(f) Due to related party at March 31, 2012 of $Nil (2011: $85,709) is payable to a company with directors in common. The amount owed is in the form of a promissory note that is unsecured, bears interest at the rate of 12% per annum, and is payable on demand. Included in the amount repaid during the year to the related party is interest of $2,814 (2011: $10,200).

(g) During the year ended March 31, 2012, legal fees of $36,330 (2011: $Nil) were paid to a professional law firm in which a director is a principal.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation comprised:

	For the year ended March 31,	
	2012	**2011**
Short term employee benefits	$ 392,358	$ 154,600
Share-based payments	662,817	192,428
	$ 1,055,175	$ 347,028

(expressed in Canadian dollars)

11. 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	860,000
Issued for cash – flow through	2,884,345	1,211,425
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)
Balance – March 31, 2011	15,534,737	19,017,458
Exercise of warrants	5,176,875	1,496,719
Issued for cash – flow through	3,098,333	1,859,000
Exercise of options	722,939	147,088
Exercise of options – adjustment from Contributed Surplus	-	210,935
Less: share issue costs		(22,436)
Balance – March 31, 2012	24,532,884	$ 22,708,764

<u>Transactions during the Year Ended March 31, 2012</u>

(a) On July 14, 2011, the Company completed a non-brokered private placement and raised gross proceeds of $1,248,000 by the issuance of 2,080,000 flow-through units (“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. and other costs of $10,916 were incurred in connection with the above private placement.

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(b) Issued and fully paid: (continued)

Transactions during the Year Ended March 31, 2012 (continued)

(b) 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.

Transactions during the Year ended March 31, 2011

(a) 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 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 entitled 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 entitled 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.

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(b) Issued and fully paid: (continued)

Transactions during the Year ended March 31, 2011 (continued)

(b) 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. 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, valued at $63,704 using the Black-Scholes method and a total of $75,085 was paid in commission. The finder's 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.

(c) 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 of 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.

(d) 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)

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(b) Issued and fully paid: (continued)

Transactions during the Year ended March 31, 2011 (continued)

(d) (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 year ended March 31, 2012 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	3,098,333	$0.90
Expired	(1,000,000)	$0.75
Exercised	(3,926,875)	$0.25
Exercised	(1,100,000)	$0.40
Balance, March 31, 2012	7,497,678	$0.72

(expressed in Canadian dollars)

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Share Purchase Warrants (continued)

As at March 31, 2012 outstanding share purchase warrants are:

Number of Warrants	Exercise Price	Expiry Date
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
7,497,678		

(d) Agents' warrants:

A continuity schedule of outstanding agents' warrants for the year ended March 31, 2012 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, March 31, 2012	141,564	$0.60

As at March 31, 2012 outstanding agent's warrants are:

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

(expressed in Canadian dollars)

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(d) Agents' warrants: (continued)

The Black-Scholes model inputs for agent's warrants issued during the years ended March 31, 2012 and 2011 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest	Rate Expected Life	Volatility Factor	Dividend Yield
June 1, 2010	June 1, 2011	$0.43	$0.50	1.63%	1 year	224.18%	0.0
June 1, 2010	June 1, 2011	$0.43	$0.75	1.63%	1 year	224.18%	0.0
Dec.31, 2010	Dec.31, 2012	$0.50	$0.60	1.70%	2 years	240.97%	0.0

The weighted average market share price at the date of exercise of warrants during the year ended March 31, 2012 was $0.60 per share.

(e) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise. 'Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

(f) Contributed surplus:

A continuity of contributed surplus is as follows:

	For the year ended March 31, 2012	2011
Balance, beginning of year	$ 1,302,790	$ 800,211
Stock-based payments – share issue cost	-	131,203
Stock-based payments - expensed	934,050	371,376
Adjustment to contributed surplus on exercise of stock options	(210,935)	-
Balance, end of year	$ 2,025,905	$ 1,302,790

(expressed in Canadian dollars)

12. SHARE-BASED PAYMENTS

(a) Option Plan Details

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.

The following is a summary of changes in options from April 1, 2011 to March 31, 2012:

			Number of Options				
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance
Jan 20-10	Jan 4-12	$0.20	712,939	-	(712,939)	-	-
Apr 8-10	Mar 31-15	$0.30	100,800	-	-	-	100,800
Jun 29-10	Jun 8-15	$0.45	100,000	-	-	-	100,000
Jul 13-10	Jul 13-15	$0.45	105,000	-	(10,000)	-	95,000
Jan 7-11	Jan 7-16	$0.50	380,934	-	-	(30,000)	350,934
Feb 7-11	Feb 7-13	$0.50	48,800	-	-	-	48,800
Mar 3-11	Mar 3-13	$0.60	80,000	-	-	-	80,000
May 18-11	May 18-16	$0.50	-	78,000	-	-	78,000
Jul 14-11	Jul 14-16	$0.65	-	223,000	-	-	223,000
Sept 20-11	Sept 20-16	$0.70	-	100,000	-	-	100,000
Jan 3-12	Jan 3-17	$0.60	-	1,158,000	-	-	1,158,000
Jan 23-12	Jan 23-17	$0.70	-	22,754	-	-	22,754
Mar 30-12	Mar 30-17	$0.60	-	96,000	-	-	96,000
			1,528,473	1,677,754	(722,939)	(30,000)	2,453,288
Weighted Average Exercise Price			$ 0.35	$ 0.57	$ 0.20	$ 0.50	$ 0.57

(expressed in Canadian dollars)

12. SHARE-BASED PAYMENTS (continued)

(a) Option Plan Details (continued)

The following is a summary of changes in options from April 1, 2010 to March 31, 2011:

			Number of Options				
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance
Oct 6-05	Oct 6-2010	$0.35	20,000	-	-	(20,000)	-
Jan 30-06	Jan 30-11	$0.35	20,800	-	-	(20,800)	-
Jan 20-10	Jan 4-12	$0.20	732,939	-	(20,000)	-	712,939
Apr 8-10	Mar 31-15	$0.30	-	110,800	-	(10,000)	100,800
Jun 29-10	Jun 8-15	$0.45	-	100,000	-	-	100,000
Jul 13-10	Jul 13-15	$0.45	-	105,000	-	-	105,000
Jan 7-11	Jan 7-16	$0.50	-	380,934	-	-	380,934
Feb 7-11	Feb 7-13	$0.50	-	48,800	-	-	48,800
Mar 3-11	Mar 3-13	$0.60	-	80,000	-	-	80,000
			773,739	825,534	(20,000)	(50,800)	1,528,473
Weighted Average Exercise Price			$ 0.21	$ 0.47	$ 0.20	$ 0.34	$ 0.35

(b) Fair Value of Options Issued During the Period

During the year ended March 31, 2012, $934,050 (2011 - $371,376) was recorded as stock-based payments expense and 1,677,754 (2011 – 825,534) incentive stock options were granted. During the year ended March 31, 2012, 150,000 options granted to a non-employee was measured at $81,700 which is the fair value of the equity instruments as the Company cannot estimate reliably the fair value of the goods or services received.

The model inputs for options granted during the year ended March 31, 2012 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
May 18-11	May 18-16	$0.55	$0.50	1.62	5 years	1.5063	0.0
Jul 14-11	Jul 14-16	$0.64	$0.65	1.46	5 years	1.5149	0.0
Sept 20-11	Sept 20-16	$0.70	$0.70	0.96	5 years	1.5265	0.0
Jan 3-12	Jan 3-17	$0.59	$0.60	1.02	5 years	1.5747	0.0
Jan 23-12	Jan 23-17	$0.69	$0.70	1.05	5 years	1.5790	0.0
Mar 30-12	Mar 30-17	$0.62	$0.60	1.19	5 years	1.5958	0.0

(expressed in Canadian dollars)

12. SHARE-BASED PAYMENTS (continued)

(b) Fair Value of Options Issued During the Period (continued)

The model inputs for options granted during the year ended March 31, 2011 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
Apr 8-10	Mar 31-15	$0.37	$0.30	1.63	5 years	224.18	0.0
Jun 29-10	Jun 8-15	$0.43	$0.45	1.63	5 years	224.18	0.0
Jul 13-10	Jul 13-15	$0.42	$0.45	1.4	5 years	234.91	0.0
Jan 7-11	Jan 7-16	$0.52	$0.50	1.77	5 years	157.23	0.0
Feb 7-11	Feb 7-13	$0.52	$0.50	1.77	2 years	157.23	0.0
Mar 3-11	Mar 3-13	$0.70	$0.60	1.77	2 years	157.23	0.0

The weighted average market share price at the date of exercise of options during the year ended March 31, 2012 was $0.58 per share.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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, cash equivalents and other receivables.The Company's financial liabilities consist of trade accounts payable and other liabilities, promissory notes payable and due to related parties, which are designated as other financial liabilities and measured at amortized cost. The carrying values of the Company's financial instruments measured at amortized costs approximate their fair values due to their short-term nature.

The Company does not have any 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 other receivables are due from related parties. The Company has not experienced and does not expect to experience any bad debts on its receivables outstanding at March 31, 2012.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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. At March 31, 2012, the Company had working capital of $6,273,222, and considers that it has sufficient funds to meet its business requirements for the next twelve months.

(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. At March 31, 2012, cash equivalents include a $6,000,000 Guaranteed Investment Certificate ("GIC") (2011: 1,310,000) which generates interest at 1.20% year (2011: 1.20%). A 1% change in the rate of interest being earned on the present principal amounts of cash and cash equivalents is approximately $63,000. After taking into account the expected consumption of a portion of the principal from the internal funding of ongoing operations and expected exploration and evaluation expenditures the Company considers its interest rate risk as minimal and immaterial and does not enter into any interest rate hedging contracts.

(*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.

14. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition and exploration of mineral properties.

The Company's primary objectives in managing capital are to:

- Safeguard the entity's ability to continue as a going concern
- Maintain an optimal capital base in order to support the capital requirements of its operations, including
- growth opportunities and maintaining investor confidence

The capital of the Company consists of shareholders' equity : $14,159,798 (2011 - $7,958,430).

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 is not subject to any externally imposed capital requirements. The Company relies on capital markets to support continued growth.

15. SEGMENTED INFORMATION

During the years ended March 31, 2012 and 2011, the Company operated in one reportable operating segment, being the acquisition, exploration and development of mineral properties all of which are in Canada.

16. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows.

During the year ended March 31, 2012:

a) Included in the accounts payable and accrued liabilities was $6,035 related to exploration and evaluation assets.

During the year ended March 31, 2011:

a) The Company issued 40,000 common shares pursuant to a mineral property purchase agreement at $0.52 per share, the market value of the shares at the date of issuance; and.

b) The Company issued 366,564 warrants as finders' fees for non-cash share issue costs of $131,203; and

(expressed in Canadian dollars)

17. INCOME TAXES

	March 31, 2012	March 31, 2011
Current expense	$ -	$ -
Deferred tax expense	539,000	-
	$ 539,000	$ -

Taxation in the Company's operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions. There is no tax charge arising for the Company for the year.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rates arises as follows:

	March 31, 2012	March 31, 2011
Income (loss) before tax per the accounts	**$ 2,325,947**	$ (780,947)
Income taxed at local statutory rates – 26.13% (2011 – 28.00%)	**608,000**	(219,000)
Effect of reduction in statutory rate	**(33,000)**	15,000
Non-deductible expenses	**160,000**	80,000
Flow through shares	**465,000**	647,000
Share issuance costs	**(5,000)**	(43,000)
Change in unrecognized deferred tax assets	**(656,000)**	(480,000)
Deferred tax expense	**$ 539,000**	$ -

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.50% to 15.00% and the British Columbia provincial tax rate remained the same as 10.00%.

Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities as at March 31, 2012 and 2011 are summarized as follows:

	March 31 2012	March 31, 2011
Non-capital losses	**$ 828,000**	$ 659,000
Undeducted financing costs	**35,000**	47,000
Capital assets and other	**12,000**	8,000
Resource properties	**(1,414,000)**	(58,000)
Unrecognized deferred tax asset	**-**	(656,000)
Deferred income tax liabilities	**$ (539,000)**	$ -

(expressed in Canadian dollars)

17. INCOME TAXES (continued)

Deferred Tax Assets and Liabilities (continued)

As at March 31, 2012, the Company has estimated non-capital losses of $3,313,000 which expires in 2032, for tax purposes that may be carried forward to reduce taxable income derived in future years, as summarized below:

Non-capital Canadian tax losses expiring as follows:

Year of Expiry	Taxable Losses
2014	$ 198,000
2015	202,000
2026	261,000
2027	148,000
2028	421,000
2029	491,000
2030	325,000
2031	588,000
2032	679,000
Total	$ 3,313,000

The potential benefits of these carry-forward non-capital losses, and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax assets to be recovered.

Flow-through Shares

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

During the year ended March 31, 2012, the Company received $1,859,000 from the issue of flow-through shares. These amounts will not be available to the Company for future deduction from taxable income. During the year ended March 31, 2012, the Company renounced $611,000 to the subscribers under the General Rule. Subsequent to March 31, 2012, the Company renounced $1,248,000 to the subscribers under the General Rule.

During the year ended March 31, 2011, the Company received $2,586,390 from the issue of flow-through shares. Funds raised in connection with the flow-through shares must be spent on qualified mineral exploration and are restricted to Canadian Exploration Expenditures as defined in the Canadian Income Tax Act. The expenditures are renounced in favour of investors subscribing for flow-through shares and the amounts are not available to the Company for income tax purposes.

(expressed in Canadian dollars)

17. INCOME TAXES (continued)

Deferred Tax Assets and Liabilities (continued)

Flow-through Shares (continued)

During the year ended March 31, 2011, the Company renounced $2,586,390. The total qualifying expenditures for the year ended March 31, 2011 were $1,009,293. Under the look-back rule, the Company was required to incur $1,577,097 in additional qualifying expenditures by December 31, 2011, which had been incurred.

The Company may be required to indemnify flow-through investors for the amount of increased tax payable by the flow-through investors as a consequence of the failure of the Company to incur qualifying exploration expenditures previously renounced to the flow-through investors prior to April 1, 2010. Accounts payable includes a provision of $96,500 (2011: $96,500). The outcome of the amount of actual claims, if any, is contingent on future assessments to the investors by Canada Revenue Agency and other events which cannot be determined at this time.

18. COMMITMENTS AND CONTIGENCIES

The Company is committed to an operating lease on its office premises expiring on September 29, 2016. The Company's lease commitments for the total annual basic lease rate and operating costs spanning the balance of fiscal 2013, and the 3 additional years thereafter, are as follows:

2013	$	71,010
2014		71,562
2015		72,123
2016		36,346

The Company has sub-tenants who are obligated to the Company for 75% of the total lease costs under verbal agreements, thereby reducing the Company's net commitment total to the following amounts:

2013	$	17,753
2014		17,891
2015		18,031
2016		9,086

19. SUBSEQUENT EVENTS

In May 2012, the Company closed a private placement of 300,000 flow-through units at $0.60 per flow-through unit and raised gross proceeds of $180,000 all of which was subscribed for by three directors of the Company. Each unit consists of one flow-through common share of the Company and one non-transferable non-flow-through common share purchase warrant ("May 2012 Warrant"). Each May 2012 Warrant will entitle the holder to acquire at any time prior to May 28, 2013, one additional common share of the Company at an exercise price of $0.75 cents per common share.

In June 2012 the Company received $22,500 in proceeds arising from the exercise of 50,000 stock options having an exercise price of $0.45 per common share.

In June 2012 the Company received $19,500 in proceeds arising from the exercise of 39,000 stock options having an exercise price of $0.50 per common share.

In June 2012 the Company received $13,000 in proceeds arising from the exercise of 20,000 stock options having an exercise price of $0.65 per common share.

In June 2012 the Company received $7,000 in proceeds arising from the exercise of 10,000 stock options having an exercise price of $0.70 per common share.

In June 2012 the Company received $446,054 in proceeds arising from the exercise of 743,424 previously issued share purchase warrants having an exercise price of $0.60 per common share.

In June 2012, the Company closed a non-brokered private placement of 1,100,000 units at $1.10 per unit and raised gross proceeds of $1,210,000. Each unit consists of one common share of the Company and one non-transferable common share purchase warrant ("June 2012 Warrant"). Each June 2012 Warrant will entitle the holder to acquire at any time prior to June 22, 2014, one additional common share of the Company at an exercise price of $1.40 per common share.

Each June 2012 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 $2.00 per share for 10 consecutive trading days, the Company may give notice to the holders that each June 2012 Warrant will expire 30 days from the date of providing such notice.

A finder 's fee of $50,400 cash was paid.

In June 2012 the Company granted an additional 161,000 in stock options to various employees, directors and consultants entitling the holders thereof to purchase common shares of the Company at any time prior to June 12, 2017 at an exercise price of $0.83 per common share.

19. SUBSEQUENT EVENTS (continued)

In June 2012 the Company granted an additional 253,429 in stock options to various employees, directors and consultants entitling the holders thereof to purchase common shares of the Company at any time prior to June 27, 2017 at an exercise price of $1.50 per common share.

In June 2012 the Company cancelled 50,000 stock options having an exercise price of $0.50 and an expiry date of January 7, 2016, due to termination of consulting services.

In June 2012 the Company cancelled 5,000 stock options having an exercise price of $0.50 and an expiry date of February 7, 2013, due to termination of consulting services.

In June 2012 the Company cancelled 5,000 stock options having an exercise price of $0.60 and an expiry date of March 3, 2013, due to termination of consulting services.

In June 2012 the Company cancelled 12,000 stock options having an exercise price of $0.50 and an expiry date of May 18, 2016, due to termination of consulting services.

In June 2012 the Company cancelled 5,000 stock options having an exercise price of $0.70 and an expiry date of September 20, 2016, due to termination of consulting services.

20. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's consolidated financial statements for the year ending March 31, 2012 are 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 was March 31, 2012.

Therefore, the financial statements for the year-ended March 31, 2012, the comparative information presented in these financial statements for the year-ended March 31, 2011 and the opening IFRS statement of financial position at April 1, 2010 are prepared in accordance with IFRS standards effective at the reporting date. However, IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

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

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.

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

An explanation of how the transition from pre-changeover Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following notes and tables:

The Company applied the following optional exemptions:

Share-based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 Share-based Payments 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.

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.

Mandatory Exceptions:

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

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

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 pre-changeover Canadian 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 THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT APRIL 1, 2010 – TRANSITION DATE

	Subnote	As at April 1, 2010 GAAP	IFRS Adjustment	As at April 1, 2010 IFRS
ASSETS				
Current				
Cash		$ 368,665	$ -	$ 368,665
Taxes receivable		28,256	-	28,256
Prepaid expenses		4,500	-	4,500
Total Current Assets		401,421	-	401,421
Non-Current Assets				
Exploration and evaluations assets	20b	5,861,661	(20,603)	5,841,058
Equipment		20,089	-	20,089
Total Non-Current Assets	20b	5,881,750	(20,603)	5,861,147
TOTAL ASSETS	20b	$ 6,283,171	$ (20,603)	$ 6,262,568
LIABILITIES				
Current liabilities				
Trade and other liabilities		$ 257,355	$ -	$ 257,355
Promissory notes		128,703	-	128,703
Due to related parties		125,509	-	125,509
Total Current Liabilities		511,567	-	511,567
SHAREHOLDERS' EQUITY				
Share capital		16,531,661	-	16,531,661
Contributed surplus		800,211	-	800,211
Deficit	20b	(11,560,268)	(20,603)	(11,580,871)
Total Shareholders' Equity	20b	5,771,604	(20,603)	5,751,001
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 6,283,171	$ (20,603)	$ 6,262,568

(expressed in Canadian dollars)

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2011

	Subnote	As at March 31, 2011 GAAP	IFRS Adjustments	As at March 31, 2011 IFRS
ASSETS				
Current				
Cash		$1,607,572	$ -	$1,607,572
Tax receivable		38,709	-	38,709
Prepaid expenses		58,464	-	58,464
Total Current Assets		1,704,745	-	1,704,745
Exploration and evaluation assets	20b	6,870,356	(20,603)	6,849,753
Equipment		39,971	-	39,971
Total Non-Current Assets		6,910,327	(20,603)	6,889,724
TOTAL ASSETS		$8,615,072	(20,603)	$8,594,469
LIABILITIES				
Current liabilities				
Trade and other payables		$175,365	-	175,365
Due to related parties		85,709	-	85,709
Other Liabilities	20a	-	374,965	374,965
Deferred income tax liability		-	-	-
Total Current liabilities		261,074	374,965	636,039
SHAREHOLDERS' EQUITY				
Share capital	20a	18,885,423	132,035	19,017,458
Contributed surplus		1,302,790	-	1,302,790
Deficit	20a & b	(11,834,215)	(527,603)	(12,361,818)
Total shareholders' equity		8,353,998	(395,568)	7,958,430
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		$8,615,072	$ (20,603)	$8,594,469

(expressed in Canadian dollars)

RECONCILIATION OF CONSOLIDATED COMPREHENSIVE LOSS FOR THE YEAR ENDED MARCH 31, 2011

	Subnote	For the Year Ended March 31, 2011 GAAP	IFRS Adjustments	For the Year Ended March 31, 2011 IFRS
EXPENSES				
Amortization		$ 8,671	$ -	$ 8,671
Consulting fees		-	-	-
Investor relations		24,718	-	24,718
Management and administration fees		169,606	-	169,606
Office		25,499	-	25,499
Part XII.6 tax and penalties		3,818	-	3,818
Professional fees		161,093	-	161,093
Rent		15,157	-	15,157
Stock-based compensation		371,376	-	371,376
Transfer agent and filing fees		46,566	-	46,566
Travel and promotion		67,910	-	67,910
		(894,414)	-	(894,414)
OTHER INCOME (EXPENSE):				
Interest income		2,722	-	2,722
Interest expense		(15,956)	-	(15,956)
Operator fees		4,365	-	4,365
Flow through share income	20a	-	140,000	140,000
Loss on write-off of assets		(17,664)	-	(17,664)
LOSS BEFORE INCOME TAXES		(920,947)	140,000	(780,947)
Recovery of future income taxes	20a	647,000	(647,000)	-
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**$ (273,947)**	**$ (507,000)**	**$ (780,947)**
LOSS PER SHARE - BASIC AND DILUTED		$ (0.02)		$ (0.07)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		11,542,381		11,542,381

EXPLANATIONS FOR THE ADJUSTMENTS ARE AS FOLLOWS:

a) Flow-through Shares

Under pre-changeover Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, 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. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax expense.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

As a result, for issuances of flow-through shares for which expenditures have been incurred, share capital was increased by $647,000 as an adjustment to reverse the tax effect of renunciation under Canadian GAAP and decreased by $514,965 to bifurcate the flow through share premium as a liability under IFRS, which caused a share capital net increase of $132,035 at March 31, 2011.

Where flow-through shares were issued but expenditures not incurred by the end of the reporting period, a liability is shown in ‘other liabilities’. This resulted in an other liability of $NIL at the date of transition (March 31, 2011 - $374,965).

The impact on net income for the year ended March 31, 2011 was a net decrease of $507,000, which resulted from a decrease of $647,000 in net income to reverse the future income tax recovery recognized under Canadian CAAP and a increase of $140,000 in other income recorded under IFRS.

b) Pre-Acquisition costs: Exploration and Evaluations Assets:

Under pre-changeover Canadian GAAP, costs incurred on exploration and evaluation assets prior to obtaining the legal right to explore were capitalized. Under IFRS the Company is required to expense any such expenditures. As at result, exploration and evaluation assets decreased by $20,603 at the transition date (March 31, 2011 - $20,603) and accumulated deficit was increased by $20,603 (March 31, 2011 - $20,603).