HORNBY BAY MINERAL EXPLORATION LTD.

(Formerly UNOR INC.)

(A Development Stage Company)

Consolidated Financial Statements

March 31, 2010 and 2009

AUDITORS' REPORT

To the Shareholders of
Hornby Bay Mineral Exploration Ltd.
(A Development Stage Company)

We have audited the consolidated balance sheets of Hornby Bay Mineral Exploration Ltd. (A Development Stage Company) as at March 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
July 5, 2010

HORNBY BAY MINERAL EXPLORATION LTD. (FORMERLY UNOR INC.)
(A Development Stage Company)
Consolidated Balance Sheets
As at March 31,

	2010	2009
	$	$
Assets		
Current		
Cash and cash equivalents	**5,470**	157,387
Refundable deposits	**-**	25,167
Amounts receivable	**-**	55,750
GST receivable	**5,440**	3,535
Prepaid expenses	**3,667**	8,000
	14,577	249,839
Equipment (Note 7)	**-**	43,981
	14,577	293,820
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accruals (Note 13)	**228,643**	68,855
Promissory note (Note 12 and 13)	**30,000**	-
	258,643	68,855
Shareholders' (Deficiency) Equity		
Capital stock (Note 9)	**33,915,683**	34,611,662
Contributed surplus (Note 10)	**4,474,555**	3,705,978
Deficit	**(38,634,304)**	(38,092,675)
Total (Deficiency) Equity	**(244,066)**	224,965
	14,577	293,820

GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 8 and 12)

APPROVED ON BEHALF OF THE BOARD:

Signed “ ” , Director

Signed “ ” , Director

See accompanying notes to the consolidated financial statements

HORNBY BAY MINERAL EXPLORATION LTD. (FORMERLY UNOR INC.)

(A Development Stage Company)
Consolidated Statements of Operations, Comprehensive Loss and Deficit
For the years ended March 31,

	2010 $	2009 $
Revenue		
Interest from held-for-trading financial assets	-	58,837
Option payments	18,747	25,000
	18,747	83,837
Expenditures		
Exploration expenses (Schedule I)	167,128	3,991,977
General and administration expenses (Schedule II)	393,248	624,596
	560,376	4,616,573
Loss before income taxes	(541,629)	(4,532,736)
Future income tax recovery (Note 11)	-	89,900
Net loss and comprehensive loss for the year	(541,629)	(4,442,836)
Deficit, beginning of year	(38,092,675)	(33,649,839)
Deficit, end of year	(38,634,304)	(38,092,675)
Loss per share – basic and diluted	(0.01)	(0.09)
Weighted average number of common shares outstanding (Note 9)	48,438,585	47,194,015

See accompanying notes to the consolidated financial statements

HORNBY BAY MINERAL EXPLORATION LTD. (FORMERLY UNOR INC.).

(A Development Stage Company)
Schedules to the Consolidated Statements of Operations, Comprehensive Loss and Deficit
For the years ended March 31,

	2010	2009
	$	$
Schedule I - Exploration Expenses		
Airborne geophysics	**-**	495,099
Assaying	**-**	42,355
Baffin Island expenditures (recoveries)	**-**	(194,952)
Camp and support	**15,596**	840,062
Drilling	**-**	956,197
Geology	**-**	748,432
Ground geophysics	**-**	699,801
Lease rental payments	**-**	2,225
Program planning and reports	**149,147**	374,804
Recording fees and taxes	**2,385**	27,953
	167,128	3,991,977
Schedule II - General and Administration Expenses		
Depreciation	**31,925**	16,000
Directors' fees	**-**	54,625
Insurance	**22,912**	34,942
Interest and bank charges	**377**	1,076
Office and general	**51,303**	108,927
Ontario capital taxes (recovered)	**-**	(659)
Professional fees	**108,397**	106,751
Salaries and benefits	**29,405**	125,825
Shareholders' information	**56,878**	64,236
Stock option compensation	**72,598**	62,550
Interest on flow-through funds	**1,887**	33,355
Travel and promotion	**5,510**	16,968
Loss on disposal of equipment	**12,056**	-
	393,248	624,596

See accompanying notes to the consolidated financial statements

HONBY BAY MINERAL EXPLORATION LTD. (FORMERLY UNOR INC.)

(A Development Stage Company)
Consolidated Statements of Cash Flows
For the years ended March 31,

	2010 $	2009 $
Cash flows from		
Operating activities		
Net loss for the year	**(541,629)**	(4,442,836)
Less: Operating items not involving cash		
Depreciation	**31,925**	16,000
Stock option compensation	**72,598**	62,550
Future income tax recovery	**-**	(89,900)
Loss on disposal of equipment	**12,056**	-
Change in non cash working capital		
Refundable deposits	**25,167**	(25,168)
GST receivable	**(1,905)**	31,613
Amounts receivable	**55,750**	(20,749)
Prepaid expenses	**4,333**	346,000
Accounts payable and accruals	**159,788**	(24,234)
	(181,917)	(4,146,724)
Financing activities		
Issuance of common shares and warrants	**-**	287,028
Issuance of promissory note	**30,000**	-
	30,000	287,028
(Decrease) in cash and cash equivalents	**(151,917)**	(3,859,696)
Cash and cash equivalents at beginning of year	**157,387**	4,017,083
Cash and cash equivalents at end of year	**5,470**	157,387

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	**1,891**	33,376
Income taxes paid	**-**	-
Cash and cash equivalents are composed of the following:		
Cash	**5,470**	5,364
Cash equivalents	**-**	152,023
	5,470	157,387

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Hornby Bay Mineral Exploration Ltd. (the "Company") is a development stage company as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11 and currently has interests in exploration and development properties in Canada. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in mineral properties contain mineral reserves which are economically recoverable.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements.

These consolidated financial statements have been prepared in accordance with Canadian GAAP applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

The Company has a need for equity capital and financing in order to explore and develop its properties and for working capital requirements. Because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing. It is not possible to predict whether financing efforts will be successful.

2. CHANGES IN ACCOUNTING POLICIES

On April 1, 2009, the Company adopted the following new accounting standards:

Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value under Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of the new standard resulted in additional disclosures in the notes to the consolidated financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year except as described in Note 2. Outlined below are those policies considered particularly significant:

Principles of Consolidation:

These consolidated financial statements include the accounts of the Company, its 100% owned subsidiaries and its proportionate share of the accounts of joint ventures in which the Company has an interest.

Equipment and Amortization:

Equipment is stated at acquisition cost. Amortization is provided on the straight line basis over the estimated useful lives of the equipment at the following annual rates:

Furniture and fixtures	20%
Computer equipment	30%

Cash and Equivalents:

Cash and equivalents include cash and highly liquid investments with original maturities of three months or less and cashable guaranteed investment certificates (GICs). The Company invests cash in term deposits maintained in high credit quality institutions. All of the GICs are cashable before maturity without penalty and have been treated as cash equivalents.

Exploration and Development of Mineral Property Interests:

Once a decision has been made to acquire a property interest, all significant payments and obligations to make payments, including interest and accretion expenses related to any obligations to make payments, are capitalized and recorded as mineral property interests on the balance sheet. Prior to an acquisition decision being made, all option payments are expensed as incurred.

Property option proceeds received are included in operations in the period they are received. Exploration costs are expensed as incurred. Development costs are expensed until it has been established that a mineral deposit is commercially viable and a mine development decision has been made by the Company. Thereafter, the Company capitalizes expenditures subsequently incurred to develop the mine, prior to the start of mining operations.

Asset Retirement Obligations:

The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral exploration properties. This amount is initially recorded at its discounted present value with a corresponding amount charged to the related property. The Asset Retirement Obligation liability is increased each reporting period due to the passage of time and the amount of accretion is charged to operations. Management is not aware of any asset retirement obligations as at March 31, 2010 and 2009.

Use of Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the related reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and affect the valuation of asset retirement obligations, stock option compensation, warrants and income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss Per Share:

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. Total shares issuable from options and warrants excluded from the computation of diluted loss per share because they were anti-dilutive for the year ended March 31, 2010 were 1,765,000 (2009 – 1,945,556) and Nil (2009 – 4,251,490) respectively.

Marketable Securities:

Marketable securities are classified as “held-for-trading” and are carried at fair market value.

Stock Option Compensation:

The Company records compensation cost based on the fair value method of accounting for stock option compensation. The fair value of stock options is estimated using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

Flow-Through Financing:

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to operations.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce capital stock.

Income Taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the enacted or substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments:

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet or unrealized loss are determined to be other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

Comprehensive Income:

Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income (“OCI”) includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity.

Foreign currency translation:

The functional currency of the Company is the Canadian dollar. Transactions and account balances originally stated in currencies other than the Canadian dollar have been translated into Canadian dollars using the temporal method of foreign currency translation as follows. Monetary assets and monetary liabilities in foreign currencies have been translated at exchange rates in effect at the balance sheet date. Revenue and expense transactions are translated at average exchange rates during the year which approximate the rates at the time of the transactions. Exchange gains or losses from such translation practices are reflected in the consolidated statements of operations.

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4. FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards (“IFRS”)

In January 2006, the CICA’s Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS would be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company’s consolidated financial statements.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS lAS 27 - Consolidated and Separate Financial Statements. The Company is currently in the process of evaluating the impact of these standards.

5. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of capital stock and contributed surplus. 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.

Several properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended March 31, 2010 or 2009. The Company and its subsidiaries are not subject to externally imposed capital requirements.

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6. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies or procedures from the previous year.

Credit risk
The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits which have been invested with or purchased from reputable financial institutions, from which management believes the risk of loss to be remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Company had a cash and cash equivalents balance of $5,470 (2009 - $157,387) to settle current liabilities of $258,643 (2009 - $68,855). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk
The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The promissory note is not subject to interest rate risk as it has a fixed rate of interest.

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. From time to time, the Company funds certain operations, exploration and administrative expenses in US dollars on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

(c) Price risk
The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a revenue producing entity.

Fair value
The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Amounts receivable and GST receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accruals and promissory note are classified as other financial liabilities, which are measured at amortized cost.

Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash and cash equivalents, amounts receivable, GST receivable, promissory note and accounts payable and accruals on the balance sheet approximate fair value because of the limited term of the instruments.

At March 31, 2010, the Company's financial instruments that are carried at fair value, consisting of cash and cash equivalents have been classified as level 1 within the fair value hierarchy.

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7. EQUIPMENT

	Cost	Accumulated Amortization	Net March 31, 2010	Net March 31,2009
	$	$	$	$
Furniture and fixtures	-	-	-	11,167
Computer equipment	-	-	-	32,814
	-	-	-	43,981

8. MINERAL PROPERTIES

(a) ASIAK RIVER, NUNAVUT

The Company held a 100% interest in 90 mineral claims in the Asiak River area of Nunavut. During the 2007 exploration season the Company surveyed 16 of these claims to convert to leases and allowed the other 74 claims to lapse. The 16 remaining leases were withdrawn on April 9, 2009.

(b) COPPERMINE RIVER, NUNAVUT

The Company held a 100% interest in 103 mineral leases and 16 mineral claims in the Coppermine River area of Nunavut. 63 of these leases were withdrawn on April 9, 2009. The 40 remaining leases are subject to a 1% net smelter royalty and/or a 1% gross diamond royalty to a maximum of $10,000,000. Cumulative exploration and development expenditures made by the Company on this project as at March 31, 2010 totaled $22,642,513 (2009 – $22,482,770).

(c) EAST BLOCK, NUNAVUT

The Company held a 100% interest in 9 mineral leases and 7 mineral claims in the East Block area of Nunavut. The mineral claims were allowed to lapse on July 28, 2008 and the leases were withdrawn on April 9, 2009.

(d) UNAD JV, NUNAVUT

Pursuant to agreements dated September 30, 2006 the Company holds a 50% interest in certain mineral claims in the Coppermine River area of Nunavut. (See Note 14). Cumulative exploration and development expenditures made by the Company on this project as at March 31, 2010 totaled $772,313 (2009 – $772,313).

(e) LAC ROUVIERE PROPERTY, NUNAVUT

On October 23, 2006 the Company entered into an option agreement with Cameco Corporation ("Cameco") on 206 uranium mineral claims held by Cameco in western Nunavut which adjoin the northwest corner of the Company's wholly owned Coppermine River claim block. Following examination of the results of the 2007 and 2008 exploration program the parties have decided that no further work is merited and the permits will be allowed to lapse.

(f) BAFFIN ISLAND, NUNAVUT

On February 5, 2007, the Company entered into a joint venture agreement with Cameco to establish a joint venture to explore for uranium on 27 prospecting permits currently held by Cameco on Baffin Island, Nunavut, Canada. Following examination of the results of the 2007 exploration program the parties have decided that no further work is merited and the permits will be allowed to lapse.

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8. INTEREST IN MINERAL PROPERTIES (continued)

(g) ONTARIO GOLD PROPERTIES

In October 2008, the April 2005 Option Agreement between Laurion Mineral Exploration Inc. and the Company was terminated with the Company retaining its 100% ownership of the five gold leases near Timmins, Ontario. Cumulative exploration and development expenditures made by the Company on this project as at March 31, 2010 totaled $125,570 (2009 – $123,289).

(h) B.C. PROPERTIES

The Company holds a 100% interest in four Crown grants in the Camsell and Similkameen area of British Columbia and a 5% net smelter royalty interest on certain parts of the Similkameen Copper Mine. Cumulative exploration and development expenditures made by the Company on this project as at March 31, 2010 totaled $37,755 (2009 – $32,651).

9. CAPITAL STOCK

(i) Common Shares and Warrants

Authorized
Unlimited number of common shares
Unlimited number of preference shares

Issued
48,438,585 common shares

	March 31, 2010		March 31, 2009	
	Number of Shares	**Amount**	Number of Shares	Amount
Balance at beginning of year	**48,438,585**	**$33,915,683**	46,594,135	$33,771,889
Issued by private placements	**-**	**-**	1,844,450	256,667
Less: Share issue costs	**-**	**-**	-	(22,973)
Renunciation of flow-through expenditures	**-**	**-**	-	(89,900)
Balance at end of year	**48,438,585**	**$33,915,683**	48,438,585	$33,915,683

Issued
No warrants

	March 31, 2010		March 31, 2009	
	Number of Warrants	**Amount**	Number of Warrants	Amount
Balance at beginning of year	**4,251,490**	**$695,979**	3,140,373	$642,645
Expired	**(4,251,490)**	**(695,979)**	-	-
Issued by private placements	**-**	**-**	1,111,117	53,334
Balance at end of year	**-**	**-**	4,251,490	$695,979
		$33,915,683		$34,611,662

Continued…

9. CAPITAL STOCK (Continued)

Subsequent to March 31, 2010 the Company consolidated its shares on a 1 for 3 basis. All references to common shares, per share amounts, warrants, and options for all periods presented have been retroactively restated to reflect this consolidation unless otherwise stated.

On November 12, 2008 the Company issued 2,200,000 pre-consolidation flow-through common shares at $0.05 per share pursuant to a non-brokered private placement to raise gross proceeds of $110,000.

On December 11, 2008, the Company issued 833,350 pre-consolidation units at $0.06 per unit and on December 19, 2008 the Company issued 2,500,001 pre-consolidation units at $0.06 per unit pursuant to a non-brokered private placement to raise gross proceeds of $200,001. Each unit consists of one (1) pre-consolidation flow-through common share and one (1) pre-consolidation common share purchase warrant. Each pre-consolidation common share purchase warrant entitles the holders to purchase one pre-consolidation common share at $0.10 per share for one year.

(ii) **Warrants**

The fair values of warrants issued have been estimated using the Black-Scholes option-pricing model. Assumptions used in the pricing model are as follows:

	2009
Average risk-free interest rate	1.29%
Expected life	1 year
Expected volatility	148%
Expected dividends	Nil

	2010		2009	
	Number	Weighted average exercise price per share	Number	Weighted average exercise price per share
	#	$	#	$
Balance, beginning of the year	4,251,490	0.90	3,140,373	1.11
Granted	-	-	1,111,117	0.30
Expired	(4,251,490)	0.90	-	-
Balance, end of the year	-	-	4,251,490	0.90

Subsequent to March 31, 2010, following a 1 for 3 consolidation of the Company's common shares, the number of warrants outstanding was reduced by a factor of 3, and the exercise price of the warrants was multiplied by a factor of 3. All references to common shares, per share amounts, warrants, and options for all periods presented have been retroactively restated to reflect this consolidation unless otherwise stated.

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9. CAPITAL STOCK (Continued)

(iii) Options

The Company's Stock Option Plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed five years at exercise prices not less than the closing sale price of the shares on the TSX Venture Exchange on the trading day immediately preceding the date the options are granted, and are not transferrable. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 10% of the issued and outstanding common shares.

Options to purchase common shares of the Company have been granted in accordance with the Plan as follows:

	2010		2009	
	Number	Weighted average exercise price per share	Number	Weighted average exercise price per share
	#	$	#	$
Balance, beginning of the year	1,945,556	1.35	2,630,150	1.32
Granted	733,333	0.30	-	-
Expired	(913,889)	1.55	(656,816)	1.17
Forfeited	-	-	(27,778)	0.66
Balance, end of the year	1,765,000	0.81	1,945,556	1.35
Options exercisable, end of the year	1,765,000		1,903,667	

The weighted average grant date fair value of options granted during the year ended March 31, 2010 was estimated to be $0.09. All options granted during the year ended March 31, 2010 vested immediately.

The fair values of options granted have been estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions used in the pricing model are as follows:

	2010
Average risk-free interest rate	2.59%
Expected life	5 years
Expected volatility	103%
Expected dividends	Nil

Subsequent to March 31, 2010, following a 1 for 3 consolidation of the Company's common shares, the number of options outstanding was reduced by a factor of 3, and the exercise price of the options was multiplied by a factor of 3. All references to common shares, per share amounts, warrants, and options for all periods presented have been retroactively restated to reflect this consolidation unless otherwise stated.

Continued…

9. CAPITAL STOCK (Continued)

Options to purchase common shares outstanding at March 31, 2010 carry exercise prices and remaining terms to maturity as follows:

Number of Options	Options Exercisable	Exercise Price	Expiry Date	
116,667	116,667	1.65	21-Apr-10	(i)
50,000	50,000	1.80	13-Jul-10	
291,667	291,667	1.14	05-Jan-11	
250,000	250,000	1.71	06-Mar-12	
323,333	323,333	0.66	19-Feb-13	
550,000	550,000	0.30	4-May-10	(i)
183,333	183,333	0.30	16-Jun-14	
1,765,000	1,765,000			

(i) Subsequent to March 31, 2010, these options expired unexercised.

10. CONTRIBUTED SURPLUS

Contributed surplus transactions for the respective years ended March 31 were as follows:

	2010	2009
	$	$
Balance, beginning of year	**3,705,978**	3,643,428
Employee stock option compensation	**70,865**	52,635
Non employee stock option compensation	**1,733**	9,915
Expiry of warrants (Note 9)	**695,979**	-
Balance, end of year	**4,474,555**	3,705,978

Continued…

11. INCOME TAXES

(a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of 31% (2009 – 34%) were as follows:

	2010 $	2009 $
Loss before income taxes	(541,629)	(4,532,736)
Expected income tax recovery	(167,900)	(1,510,000)
Adjustments to benefit resulting from:		
Stock option compensation	22,500	22,100
Share issue costs	-	(6,300)
Expiring non-capital losses	1,400	46,500
Change in tax rates	829,900	237,000
Other	18,700	(4,100)
	704,600	(1,214,800)
Change in valuation allowance	(704,600)	1,124,900
Future income tax recovery	-	(89,900)

(b) The future income tax assets and liabilities consist of the following temporary differences:

	2010 $	2009 $
Equipment	30,300	22,300
Non-capital loss carry-forwards	248,700	244,600
Resource expenditures	4,991,100	5,650,500
Share issue costs	42,000	99,300
Valuation allowance	(5,312,100)	(6,016,700)
	-	-

Continued…

11. INCOME TAXES (Continued)

(c) As at March 31, 2010, the Company has accumulated losses for income tax purposes of approximately $994,000 that are available to be carried-forward to reduce taxable income of future years. These losses expire as follows:

Year	Amount
	$
2014	69,000
2015	95,000
2026	169,000
2027	66,000
2028	201,000
2029	238,000
2030	156,000
	994,000

The Company has approximately $770,000 and $19,100,000 Canadian development expenses and Canadian exploration expenditures respectively, as at March 31, 2010 which, under certain circumstances, may be utilized to reduce taxable income of future years.

12. COMMITMENTS AND CONTINGENCIES

(a) Pursuant to the issuance of 5,533,351 flow-through shares in November and December 2008 the Company renounced $310,001 of qualified exploration expenditures with an effective date of December 31, 2008. As of December 31, 2009, the Company had completed the required expenditures. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

(b) The Company has been named a defendant in legal proceedings brought by a former officer of the Company. The former officer is claiming approximately $30,000 in settlement of the promissory note (see Note 13) and approximately $170,000 damages for breach of contract.

The Company has accrued $30,000 in these financial statements relating to the promissory note. The Company believes that the claims for damages are without merit and plans to vigorously defend itself. As the outcome of these proceedings cannot be reasonably determined, no further amounts are recorded in these financial statements.

Continued…

13. RELATED PARTY TRANSACTIONS

Directors of the Company participated in the private placement of common shares on November 12, 2008 described in Note 9(i) and purchased a total of 400,000 pre-consolidation common shares of the Company for gross proceeds of $20,000.

During the year ended March 31, 2010 a former officer of the Company loaned the Company $30,000 in the form of an unsecured promissory note bearing interest at 12% per annum. The promissory note is due on demand. As at March 31, 2010, no principal or interest had been repaid relating to this promissory note. See Note 12.

Included in accounts payable is an amount owing to a shareholder of $57,207. This amount is due on demand, unsecured, non-interest bearing with no fixed terms of repayment.

See Note 15.

14. INTERESTS IN JOINT VENTURES

The Company's proportionate share of the assets, liabilities and cash flows of its joint ventures as described in Notes 8(d) and (f) included in these consolidated financial statements are as follows:

	2010 $	2009 $
Current assets	-	-
Equipment	-	-
Current liabilities	-	-
Revenues	-	-
Expenses	-	-
Cash flows from operating activities	-	136,568
Cash flows from financing activities	-	-
Cash flows from investing activities	-	-

15. SUBSEQUENT EVENT

Subsequent to March 31, 2010, a shareholder of the Company advanced the Company $831,490. The advance is due on demand, unsecured, non-interest bearing with no fixed terms of repayment.