HORNBY BAY
MINERAL EXPLORATION

Consolidated Financial Statements

March 31, 2012 and 2011

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Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hornby Bay Mineral Exploration Ltd.

We have audited the accompanying consolidated financial statements of Hornby Bay Mineral Exploration 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 operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation 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 consolidated 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 and fair presentation of the consolidated 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 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 Hornby Bay Mineral Exploration Ltd. and its subsidiary as at March 31, 2012, March 31, 2011 and April 1, 2010, and their financial performance and cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
July 25, 2012

HORNBY BAY MINERAL EXPLORATION LTD.
Consolidated Statements of Financial Position
(Expressed In Canadian Dollars)

As at	March 31, 2012 $	March 31, 2011 $ (Note 15)	April 1, 2010 $ (Note 15)
Assets			
Current			
Cash	**5,458**	14,265	5,470
Amounts receivable (Note 5)	**7,537**	171,162	5,440
Prepaid expenses (Note 6)	**368,058**	367,453	3,667
Total Assets	**381,053**	552,880	14,577
Liabilities and Shareholders' Deficiency			
Current Liabilities			
Accounts payable and accruals (Note 11)	**733,340**	94,972	228,643
Promissory note (Note 11)	**-**	-	30,000
Shareholder’s loan (Note 12)	**1,168,395**	916,587	-
Total Liabilities	**1,901,735**	1,011,559	258,643
Shareholders’ Deficiency			
Capital stock (Note 8)	**38,858,623**	38,858,623	38,008,920
Share-based payments reserve (Note 9)	**400,579**	480,008	909,650
Deficit	**(40,779,884)**	(39,797,310)	(39,162,636)
Total Shareholders’ Deficiency	**(1,520,682)**	(458,679)	(244,066)
Total Liabilities and Shareholders’ Deficiency	**381,053**	552,880	14,577

GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 7 and 13)
SUBSEQUENT EVENT (Note 17)

APPROVED ON BEHALF OF THE BOARD:

Signed “Chris Irwin”, Director

Signed “Maurice Colson”, Director

See accompanying notes to the consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed In Canadian Dollars)

For the years ended March 31,	2012	2011
	$	$
		(Note 15)
Expenditures		
Exploration and evaluation expenses		
Lease rental payments	**101,788**	73,972
Program planning and reports	**64,703**	108,992
Camp and support	**40,500**	272,720
Technical consulting	**30,523**	-
Airborne geophysics	**9,037**	26,196
Ground geophysics	**1,500**	102,715
Recording fees and taxes	**1,075**	3,051
Drilling	**721**	353,857
Licences and permits	**206**	980
Assaying	**-**	2,039
Helicopter	**-**	168,741
	250,053	1,113,263
General and administration expenses		
Professional fees	**142,666**	214,287
Shareholders' information	**39,736**	71,662
Office and general	**25,875**	14,895
Share-based payments	**8,321**	325,600
Travel and promotion	**22,814**	10,909
Interest and bank charges	**322**	6,061
Insurance	**-**	19,500
Salaries and benefits	**-**	4,452
	239,734	667,366
Loss before the following items	**(489,787)**	(1,780,629)
Flow through indemnification and interest provision (Note 13)	(580,537)	-
Loss before income tax	**(1,070,324)**	(1,780,629)
Deferred income tax recovery (Note 14)	**-**	333,873
Net loss and comprehensive loss for the year	**(1,070,324)**	(1,446,756)
Loss per share – basic and diluted	**(0.02)**	(0.03)
Weighted average number of common shares outstanding	**56,785,405**	53,103,657

See accompanying notes to the consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.
Consolidated Statements of Cash Flows
(Expressed In Canadian Dollars)

For the years ended March 31,	**2012** **$**	2011 $
Cash flows from		
Operating activities		
Net loss for the year	**(1,070,324)**	(1,446,756)
Adjust for: operating items not involving cash		
Share-based payments	**8,321**	325,600
Deferred income tax recovery	**-**	(333,873)
Change in non-cash working capital		
Amounts receivable	**163,625**	(165,722)
Prepaid expenses	**(605)**	(363,786)
Accounts payable and accruals	**638,368**	(133,671)
	(260,615)	(2,118,208)
Financing activities		
Issuance of common shares	**-**	1,335,491
Common share issuance costs	**-**	(95,075)
Shareholder's loan	**251,808**	916,587
(Payment) of promissory note	**-**	(30,000)
	251,808	2,127,003
(Decrease) increase in cash	**(8,807)**	8,795
Cash at beginning of year	**14,265**	5,470
Cash at end of year	**5,458**	14,265
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	**-**	5,553
Warrants issued for share issuance costs (Note 9)	**-**	56,840

See accompanying notes to the consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.
Consolidated Statements of Changes in Equity
(Expressed In Canadian Dollars)

	Number of Shares	Capital Stock $	Share-based Payments Reserve $	Deficit $	Total Equity (Deficiency) $
Balance April 1, 2010	48,438,585	38,008,920	909,650	(39,162,636)	(244,066)
Net loss for the year	-	-	-	(1,446,756)	(1,446,756)
Shares issued on rights offering	8,346,820	1,335,491	-	-	1,335,491
Share issuance costs	-	(95,075)	-	-	(95,075)
Warrants issued	-	(56,840)	56,840	-	-
Share-based payments	-	-	325,600	-	325,600
Options expired unexercised	-	-	(812,082)	812,082	-
Premium on flow-through shares	-	(333,873)	-	-	(333,873)
Balance March 31, 2011	56,785,405	38,858,623	480,008	(39,797,310)	(458,679)
Net loss for the year	-	-	-	(1,070,324)	(1,070,324)
Share-based payments	-	-	8,321	-	8,321
Options expired unexercised	-	-	(87,750)	87,750	-
Balance March 31, 2012	56,785,405	38,858,623	400,579	40,779,884	(1,520,682)

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Hornby Bay Mineral Exploration Ltd. (the “Company”) currently has interests in exploration and evaluation properties in Canada. Substantially all of the Company’s efforts are devoted to financing and developing these properties. There has been no determination on whether the Company's interests in exploration and evaluation properties contain mineral reserves which are economically recoverable. The Company is incorporated and domiciled in Ontario, Canada. The registered address of the Company and its principal place of business is 1010-130 Adelaide Street West, Toronto, ON M5H 3P5. The Company’s shares are listed on the TSX Venture Exchange. These consolidated financial statements of the Company for the years ended March 31, 2012 and 2011 were approved and authorized for issue by the Board of Directors on July 25, 2012

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 International Financial Reporting Standards (“IFRS”) applicable to a going concern, under which material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern must be disclosed. As at March 31, 2012, the Company had not yet achieved profitable operations and continues to be dependent upon its ability to obtain sufficient working capital from external financing to meet the Company’s liabilities as they become payable and ultimately to generate profitable future operations. As at March 31, 2012, the Company had a working capital deficiency of $1,520,682. These consolidated financial statements 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 operations, and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION

These consolidated financial statements of Hornby Bay Mineral Exploration Ltd. and its subsidiary have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”). These are the Company’s first consolidated financial statements prepared in accordance with IFRS, and IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied.

The significant accounting policies applied in these financial statements are presented in Note 3 and are based on IFRS effective as at March 31, 2012. Those accounting policies are based on IFRS and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. The policies set out below were consistently applied to all the years presented unless otherwise noted.

2. BASIS OF PRESENTATION (Continued)

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 15. This note includes reconciliations of equity, operations, comprehensive loss, and the statements of financial position reported under previous Canadian Generally Accepted Accounting Principles ("GAAP") to those reported under IFRS as at and for the year ended March 31, 2011 and as at the date of transition, April 1, 2010.

These consolidated financial statements were prepared under the historical cost basis, except for certain assets which are measured at fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These accounting policies have been used throughout all years presented in the consolidated financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Company and the effects of transition to IFRS are presented in Note 15.

(i) **Basis of consolidation**

The consolidated financial statements of the Company include the accounts of its 100% owned subsidiary, Copper Royalty Mineral Corp. (a company incorporated in British Columbia), and the proportionate accounts of all of its joint ventures (see Note 16). Unrealized gains and losses on transactions between the Company and its subsidiary and joint ventures are eliminated to the extent of the Company's interest in those entities. Amounts reported in the financial statements of jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Company.

(ii) **Presentation currency**

The Company's presentation and functional currency is the Canadian Dollar ("CAD"). The functional currency of the Company's subsidiary and joint ventures is CAD.

(iii) **Flow-through shares**

The resource expenditure deductions for income tax purposes related to exploration and evaluation activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. Any premium between the quoted market price and the price paid by investors for flow-through shares will be recognized as a liability of the Company at the time the shares are issued. When these expenditures are renounced, a deferred tax liability is set up and the initial premium liability is reversed, with the difference being recognized in the statement of operations.

(iv) **Interest revenue**

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed, with a corresponding increase in share-based payments reserve, on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods, or when the counterparty renders the service.

The estimated grant date fair value of share based payments that expire unexercised are moved from share-based payments reserve to deficit upon their expiry.

(vi) Taxation

Current tax

Income tax expense, if any, represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vii) Exploration and evaluation expenses

Property option proceeds received are included in the statement of operations as 'Other Income' in the period they are received. Exploration and evaluation 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.

(viii) Government grants

Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Grants relating to costs are deferred and recognized in the statement of operations over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to intangible assets or equipment are deducted from the carrying amount of the asset.

(ix) Financial instruments

Financial instruments are classified into one of the following four categories: loans and receivables; fair value through profit or loss; held-to-maturity; and available-for-sale. Financial instruments are initially measured at fair value. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications, as follows:

- Financial assets and financial liabilities at fair value through profit or loss include financial assets and financial liabilities that are held for trading or designated upon initial recognition as fair value through profit or loss. These financial instruments are measured at fair value with changes in fair values recognized in the consolidated statement of operations and comprehensive loss.

- Financial assets classified as available-for-sale are measured at fair value, with changes in fair values recognized as other comprehensive income ("OCI") in the consolidated statement of comprehensive loss, except when there is objective evidence that the asset is impaired, at which point the cumulative loss that had been previously recognized in OCI is recognized within the consolidated statement of operations and comprehensive loss.

- Financial assets classified as held-to-maturity and loans and receivables are measured subsequent to initial recognition at amortized cost using the effective interest method.

- Financial liabilities, other than financial liabilities classified as fair value through profit or loss, are measured in subsequent periods at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest expense or income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a short period, to the net carrying amount on initial recognition.

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has classified its financial instruments as follows:

Asset / Liability	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable and accruals	Other liabilities	Amortized cost
Promissory note	Other liabilities	Amortized cost
Shareholder's loan	Other liabilities	Amortized cost

The Company's cash in the consolidated statement of financial position is comprised of cash held at financial institutions.

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and are recognized in the statement of operations.

(x) Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. The Company does not have any provisions as of March 31, 2012, March 31, 2011 and April 1, 2010.

(xi) Loss per share

Basic loss per share is calculated by dividing losses attributable to common shares by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options and warrants. The denominator is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all stock options and warrants with exercise prices below the average market price for the year.

Shares potentially issuable on exercise of stock options and warrants totaling 3,860,499 (March 31, 2011 – 3,935,499) were not included in the computation of diluted loss per share for the year ended March 31, 2012 because the effect would have been anti-dilutive.

(xii) Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, dismantling operating facilities, and restoration, reclamation and re-vegetation of affected areas.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The obligation generally arises when the asset is installed or the ground and/or environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore or expensed if incurred during the explopration and evaluation stage. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of operations and comprehensive loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of operations and comprehensive loss. The Company does not have any material rehabilitation provisions as of March 31, 2012, March 31, 2011 and April 1, 2010.

(xiii) **Operating segments**

The Company's operating segments are organized around the geographical locations of the projects. Since the Company only has interests in properties in Canada, it only has one operating segment.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(xiv) **Use of significant accounting judgements, estimates, and assumptions**

CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES

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

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

- Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Contingencies
  Refer to Note 13.

a) FUTURE ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after April 1, 2012 or later periods. Many of these updates are not applicable or are not consequential to the Company and have been excluded from the list below. The following pronouncements are being assessed to determine their impact on the Company's results and financial position.

IFRS 7 - Amendment to IFRS 7, Financial Instruments: Disclosure
Multiple clarifications related to the disclosure of financial instruments. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its consolidated financial statements.

IFRS 9 - Financial Instruments: Classification and Measurement
This standard was published in November 2009 and contained requirements for financial assets. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 9 on its consolidated financial statements.

IFRS 10 – Consolidated Financial Statements
This standard builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company (effective from January 1, 2013). The Company has not yet determined the impact of the amendments to IFRS 10 on its consolidated financial statements.

IFRS 11 – Joint Arrangements
This standard establishes the principles of financial reporting by entities when they have an interest in arrangements that are jointly controlled (effective from January 1, 2013). The Company has not yet determined the impact of the amendments to IFRS 11 on its consolidated financial statements.

IFRS 12 – Disclosure of Interest in Other Entities
This standard provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities (effective from January 1, 2013). The Company has not yet determined the impact of the amendments to IFRS 12 on its consolidated financial statements.

(Expressed in Canadian dollars)

4. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

IFRS 13 – Fair Value Measurement
This standard defines fair value, requires disclosure of fair value measurements and provides a framework for measuring fair value when it is required or permitted within IFRS (effective from January 1, 2013). The Company has not yet determined the impact of the amendments to IFRS 13 on its consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures
This standard revised the existing standards and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures (effective January 1, 2013). The Company has not yet determined the impact of IAS 28 on its consolidated financial statements.

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

5. AMOUNTS RECEIVABLE

	March 31, 2012	March 31, 2011	April 1, 2010
Other receivables	$ -	$ 131,385	$ -
HST/GST receivable	7,537	39,777	5,440
	$ 7,537	$ 171,162	$ 5,440

6. PREPAID EXPENSE

	March 31, 2012	March 31, 2011	April 1, 2010
Advances (i)	$ 368,058	$ 367,453	$ -
Other	-	-	3,667
	$ 368,058	$ 367,453	$ 3,667

(i) During the year ended March 31, 2011, the Company entered into an agreement with a supplier whereby the Company advanced $600,000 to be applied against future invoices. As at March 31, 2012, there was a remaining balance of $368,058 (March 31, 2011 - $367,453 and April 1, 2010 - Nil).

7. EXPLORATION AND EVALUATION PROPERTIES

(a) **COPPERMINE RIVER, NUNAVUT**

The Company holds a 100% interest in 40 mineral leases and 16 mineral claims in the Coppermine River area of Nunavut. The 40 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 evaluation expenditures made by the Company on this project as at March 31, 2012 totaled $23,979,287 (March 31, 2011 – $23,734,381).

(b) **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. Cumulative exploration and evaluation expenditures made by the Company on this project as at March 31, 2012 totaled $772,313 (March 31, 2011 – $772,313).

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION PROPERTIES (Continued)

(c) **ONTARIO GOLD PROPERTIES**

The Company holds a 100% interest in five gold leases near Timmins, Ontario. Cumulative exploration and evaluation expenditures made by the Company on this project as at March 31, 2012 totaled $134,029 (March 31, 2011 – $128,882).

(d) **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 evaluation expenditures made by the Company on this project as at March 31, 2012 totaled $37,859 (March 31, 2011 – $37,859).

8. CAPITAL STOCK

(i) As at March 31, 2012, March 31, 2011 and April 1, 2010, the Company's authorized number of common shares was unlimited without par value.

(ii) **Common Shares**

Issued 56,785,405 common shares	**Number of Shares**	**Amount**
Balance at April 1, 2010	**48,438,585**	**$38,008,920**
Issued by rights offering	**8,346,820**	**1,335,491**
Premium on flow-through shares	**-**	**(333,873)**
Share issuance costs	**-**	**(151,915)**
Balance at March 31, 2011 and March 31, 2012	**56,785,405**	**$38,858,623**

On September 9, 2010, the Company issued 8,346,820 flow-through common shares at $0.16 per share pursuant to a rights offering to raise gross proceeds of $1,335,491. In connection with this rights offering the Company paid solicitation fees of $82,728.

9. SHARE-BASED PAYMENTS RESERVE

	Number of Options	Weighted Average Exercise Price	**Grant Date Value of Options**	Number of Warrants	Weighted Average Exercise Price	**Grant Date Value of Warrants**	**Total Value**
Balance April 1, 2010	1,765,000	$ 0.81	**$ 909,650**	-	$ -	**$ -**	**$909,650**
Granted	3,250,000	0.20	**325,600**	710,500	0.16	**56,840**	**382,440**
Expired	(1,790,001)	0.74	**(812,082)**	-	-	**-**	**(812,082)**
Balance March 31, 2011	3,224,999	$ 0.25	**423,168**	710,500	$ 0.16	**$56,840**	**$480,008**
Granted	-	-	**8,321**	-	-	**-**	**8,321**
Expired	(75,000)	1.71	**(87,750)**	-	-	**-**	**(87,750)**
Balance March 31, 2012	3,149,999	$ 0.21	**$ 343,739**	710,500	$ 0.16	**$56,840**	**$400,579**

(Expressed in Canadian dollars)

9. SHARE-BASED PAYMENTS RESERVE (Continued)

Warrants

Pursuant to the issuance of 8,346,820 flow-through common shares at $0.16 per share in connection with the rights offering (Note 8(ii)), the Company issued 710,500 broker warrants pursuant to standby commitments. Each broker warrant entitles the holder to acquire one common share of the Company at a price of $0.16 for two years. The grant date fair value of the warrants was estimated to be $56,840, using the Black-Scholes option pricing model assuming a risk-free interest rate of 2% on the date of issue, an expected life of two years, an expected volatility of 150% and expected dividends of $Nil. The warrants expire on September 9, 2012.

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 outstanding at March 31, 2012 carry exercise prices and remaining terms to maturity as follows:

Number of options	Options exercisable	Exercise price	Fair value at grant date	Expiry date	Remaining contractual life outstanding
#	#	$	$		(Years)
83,333	83,333	0.66	30,000	19-Feb-13	0.89
66,666	66,666	0.30	6,000	16-Jun-14	2.21
2,500,000	2,500,000	0.20	261,818	11-Aug-15	3.36
200,000	200,000	0.20	16,621	16-Sep-12	0.46
200,000	200,000	0.20	18,300	27-Oct-15	3.58
100,000	100,000	0.20	11,000	9-Nov-15	3.61
3,149,999	3,149,999	0.21	343,739		3.11

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:

Expiry Date	Grant date share price $	Exercise price $	Expected volatility %	Expected option life (Years)	Expected dividend yield %	Risk-free interest rate %
19-Feb-13	0.66	0.66	102	5	0	3.2
16-Jun-14	0.30	0.30	65	5	0	2.0
11-Aug-15	0.20	0.20	109	5	0	2.0
16-Sep-12	0.20	0.20	147	2	0	1.5
27-Oct-15	0.20	0.20	116	5	0	2.1
9-Nov-15	0.20	0.20	135	5	0	2.2

(Expressed in Canadian dollars)

10. 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 evaluation of its properties. The capital of the Company consists of shareholder's loan, capital stock and share-based payments reserve. 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 years ended March 31, 2012 or 2011. The Company and its subsidiary are not subject to externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the bases for recognition of income and expenses) for each class of financial asset, and financial liability are disclosed in Note 3.

Financial assets and financial liabilities as at March 31, 2012, March 31, 2011 and April 1, 2010 were as follows:

March 31, 2012	Loans and receivables	Other liabilities	Total
Cash	$ 5,458	$ -	$ 5,458
Accounts payable and accruals	-	(733,340)	(733,340)
Shareholder's loan	-	(1,168,395)	(1,168,395)
	$ 5,458	$ (1,901,735)	$(1,896,277)

March 31, 2011	Loans and receivables	Other liabilities	Total
Cash	$ 14,265	$ -	$ 14,265
Amounts receivable	171,162	-	171,162
Accounts payable and accruals	-	(94,972)	(94,972)
Shareholder's loan	-	(916,587)	(916,587)
	$ 185,427	$(1,011,559)	$ (826,132)

April 1, 2010	Loans and receivables	Other liabilities	Total
Cash	$ 5,470	$ -	$ 5,470
Accounts payable and accruals	-	(228,643)	(228,643)
Promissory note	-	(30,000)	(30,000)
	$ 5,470	$ (258,643)	$ (247,733)

11. FINANCIAL INSTRUMENTS (Continued)

Financial Instrument 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 during the years ended March 31, 2012 and 2011.

Credit risk
The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consists of bank deposits which have been invested with 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, 2012, the Company had a cash and amounts receivable balance of $12,995 (March 31, 2011 - $185,427 and April 1, 2010 - $10,910) to settle current liabilities of $1,901,735 (March 31, 2011 - $1,011,559 and April 1, 2010 - $258,643). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The shareholder's loan is described in Note 12.

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. Management considers interest rate risk to be minimal given that, as at March 31, 2012, no amounts were held in short-term deposit certificates.

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. 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 exploration 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 currently a revenue producing entity.

Fair value
The Company has designated its cash and amounts receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accruals, promissory note, and shareholder's loan are classified as other financial liabilities, which are measured at amortized cost.

Fair value estimates are made at the statement of financial position 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, amounts receivable, promissory note and accounts payable and accruals on the statement of financial position approximate fair value because of the limited term of the instruments. It is not possible to determine if the shareholder's loan is at fair value as there is no comparable market value for such a loan.

At March 31, 2012, the Company had no financial instruments that are carried at fair value.

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS

The consolidated financial statements of the Company include the accounts of its 100% owned subsidiary, Copper Royalty Mineral Corp. (a company incorporated in British Columbia), and the proportionate accounts of all of its joint ventures.

During the years ended March 31,2012 and 2011, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company:

	Amounts owed to related parties	
	31-Mar-12	31-Mar-11
Officers and directors	$ 26,593	$ -
Shareholder's loan	$ 1,168,395	$ 916,587

The amount owing to officers and directors relates to legal services provided by a director of the Company during the year ended March 31, 2012. During the year ended March 31, 2012 professional fees incurred and paid to this officer and director totaled $26,316 (2011 - $69,094).

The shareholder's loan balance at March 3, 2012 and 2011 is due on demand, unsecured and non-interest bearing. No guarantees have been given.

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

	Year ended March 31,	
	2012	2011
Salaries including bonuses	$ 60,000	$ 47,500
Share-based payments	-	317,300
Total remuneration	$ 60,000	$ 364,800

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

13. COMMITMENTS AND CONTINGENCIES

a) Pursuant to the issuance of 8,346,820 flow-through shares on September 9, 2010, the Company has renounced $1,318,421 of qualified exploration expenditures with an effective date of December 31, 2010. The Company was required to spend these flow-through funds by December 31, 2011 but, was unable to do so. As of December 31, 2011, the amount remaining to be spent was approximately $882,000. 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. As a result of this indemnification, the Company has recorded a provision of $580,537 as of March 31, 2012.

(Expressed in Canadian dollars)

13. COMMITMENTS AND CONTINGENCIES (Continued)

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

During the year ended March 31, 2011, the Company paid $30,000 in settlement of the promissory note that was outstanding. 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 have been recorded in these financial statements.

c) An action has been brought by the Company against a former officer of the Company and his spouse for damages in the amount of $72,166 for breach of fiduciary duty and conversion. The action has been defended by the former officer and his spouse and the parties have exchanged affidavits of documents. The next steps in the litigation will be to schedule a settlement conference and mediation.

Environmental Contingencies

The Company's exploration and evaluation activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

14. INCOME TAXES

(a) Provision for Income Taxes
Major items causing the Company's income tax rate to differ from the Canadian statutory rate of 28% (2011 – 30%) were as follows:

	2012 $	2011 $
Loss before income taxes	(1,070,323)	(1,780,629)
Expected income tax recovery	(297,000)	(534,200)
Adjustments to benefit resulting from:		
Share-based payments	2,300	97,700
Share issue costs	-	(24,000)
Change in tax rates	10,400	43,300
	(284,300)	(417,200)
Benefit of tax losses not recognized	284,300	83,327
Deferred income tax recovery	-	(333,873)

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

	2012 $	2011 $
Equipment	30,300	30,300
Non-capital loss carry-forwards	474,500	310,700
Resource expenditures	5,163,500	5,025,200
Share issue costs	15,700	33,500
Total benefits not recognized	(5,684,000)	(5,399,700)
	-	-

(Expressed in Canadian dollars)

14. INCOME TAXES (Continued)

(c) As at March 31, 2012, the Company has accumulated losses for income tax purposes of approximately $1,313,000 that are available to be carried-forward to reduce taxable income of future years. These losses expire as follows:

Year	Amount
	$
2014	95,000
2015	69,000
2026	169,000
2027	66,000
2028	200,000
2029	238,000
2030	275,000
2031	129,000
2032	657,000
	1,898,000

The Company has approximately $1,323,000 and $19,235,000 Canadian development expenses and Canadian exploration expenditures respectively, as at March 31, 2012 which, under certain circumstances, may be utilized to reduce taxable income of future years.

15. TRANSITION TO IFRS

The Company's consolidated financial statements for the year ended March 31, 2012 are the first annual financial statements that comply with IFRS and these consolidated financial statements were prepared as described in Note 2, including the application of IFRS 1.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was April 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company is March 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adopters.

Initial elections upon adoption
Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption Options

1. *Business combinations* – IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transition Date. The Company elected to apply IFRS 3 prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company did not apply IFRS 3 retrospectively to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

15. TRANSITION TO IFRS (Continued)

2. *Share-based payments* - IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

3. *IAS 27 – Consolidated and Separate Financial Statements* - In accordance with IFRS 1, if a Company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS Mandatory Exceptions

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliations of Canadian GAAP to IFRS
IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the consolidated statements of financial position and consolidated statements of comprehensive loss have resulted in reclassifications of various amounts on the consolidated statements of cash flows; however as there have been no changes to the net cash flows, no reconciliation has been presented.

Changes in accounting policies:
In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

a. Share-based payments

IFRS 2 is effective for the Company as of April 1, 2010 and is applicable to stock options and grants that are unvested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Stock option grants made prior to November 7, 2002 are not taken into account for IFRS 2;
- Stock option grants made subsequent to November 7, 2002 are only taken into account if they have not vested as at April 1, 2010; and,
- From April 1, 2010, all stock options, share grants and other share-based payments will be expensed in accordance with the policy stated in Note 3.

Forfeitures

Canadian GAAP - Forfeitures of awards are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. The Company estimated a 0% forfeiture rate and, as a result, no adjustments were recognized.

15. TRANSITION TO IFRS (Continued)

b. Flow-through shares

Canadian GAAP – Flow-through shares are a unique Canadian tax incentive, which is the subject of specific guidance under Canadian GAAP and US GAAP.

IFRS - Does not have equivalent guidance to CICA 3465 and EIC 146 on accounting for flow-through shares. As a result, the Company needs to apply IAS 8.10 – IAS 8.12 in developing an acceptable accounting policy which, in the absence of an IFRS standard that specifically applies to a transaction, allows management to use its judgment in developing and applying an accounting policy.

The Company has adopted the following accounting policy:

The resource expenditure deductions for income tax purposes related to exploratory and evaluation activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. Any premium between the quoted market price and the price paid by investors for flow-through shares will be recognized as a liability of the Company at the time the shares are issued. When these expenditures are renounced, a deferred tax liability is set up and the initial premium liability is reversed, with the difference being recognized in the statement of operations.

As a result of adopting this accounting policy, the Company made an adjustment to capital stock and deficit in the amount of $4,093,237 as of April 1, 2010 (March 31, 2011 - $4,032,124). As at March 31, 2011, an adjustment to income tax recovery of $4,273 was recorded in the statement of comprehensive loss, with a corresponding debit to capital stock on the statement of financial position.

c. Equity Reserves

Canadian GAAP – The Company recorded the value of share-based payments to contributed surplus. Warrants issued were included in capital stock.

IFRS – IFRS allows a company to record the value of share-based payments, such as outstanding options, and warrants as a separate component of shareholders' equity. IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants", "Reserves for share-based payments" and any other component of equity. During the year ended March 31, 2011, the Company credited the share-based payment reserve for $56,840 for warrant activity during the year.

IFRS also allows a company to transfer the amounts for expired, unexercised stock options and warrants recorded in its reserve account to the deficit account on expiry. The Company debited its reserve account and credited its deficit account at April 1, 2010 in the amount of $3,564,905. At March 31, 2011, an additional amount of $812,082 was credited to its deficit account with a corresponding debit to its reserve account.

All amounts previously included in contributed surplus that did not relate to expired options and warrants were reclassified to the share-based payment reserve.

(Expressed in Canadian dollars)

15. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Statement of Financial Position as of April 1, 2010

	Notes	CGAAP	IFRS Adjustments	IFRS
Assets				
Current assets				
Cash		$ 5,470	-	$ 5,470
Amounts receivable		5,440	-	5,440
Prepaid expenses		3,667	-	3,667
Total assets		$ 14,577	-	$ 14,577
Liabilities and shareholders' deficiency				
Current liabilities				
Accounts payable and accrual		$ 228,643	-	$ 228,643
Promissory note		30,000	-	30,000
Total liabilities		258,643	-	258,643
Shareholders' deficiency				
Capital stock	15.b	33,915,683	4,093,237	38,008,920
Contributed surplus	15.c	4,474,555	(4,474,555)	-
Share-based payments reserve	15.c	-	909,650	909,650
Deficit	15.b,c	(38,634,304)	(528,332)	(39,162,637)
Total shareholders' deficiency		(244,066)	-	(244,066)
Total liabilities and shareholders' deficiency		$ 14,577	-	$ 14,577

(Expressed in Canadian dollars)

15. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Statement of Financial Position as of March 31, 2011

As at	Notes	**CGAAP**	**IFRS Adjustments**	**IFRS**
Assets				
Current assets				
Cash		$ 14,265	-	$ 14,265
Amounts receivable		171,162	-	171,162
Prepaid expenses		367,453	-	367,453
Total assets		$ 552,880	-	$ 552,880
Liabilities and shareholders' deficiency				
Current liabilities				
Accounts payable and accruals		$ 94,972	-	$ 94,972
Shareholder's loan		916,587	-	916,587
Total liabilities		1,011,559	-	1,011,559
Shareholders' deficiency				
Capital stock	15.b,c	34,826,499	4,032,124	38,858,623
Contributed surplus	15.c	4,800,155	(4,800,155)	-
Share-based payments reserve	15.c	-	480,008	480,008
Deficit	15.b,c	(40,085.333)	288,023	(39,797,310)
Total shareholders' deficiency		(458,679)	-	(458,679)
Total liabilities and shareholders' deficiency		$ 552,880	-	$ 552,880

(Expressed in Canadian dollars)

15. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Statement of Operations and Comprehensive Loss for the year ended March 31, 2011

	Notes	CGAAP	IFRS Adjustments	IFRS
Exploration expenses				
Airborne geophysics		$ 26,196	-	$ 26,196
Assaying		2,039	-	2,039
Camp and support		272,720	-	272,720
Drilling		353,857	-	353,857
Ground geophysics		102,715	-	102,715
Helicopter		168,741	-	168,741
Lease rental payments		73,972	-	73,972
Program planning and reports		108,992	-	108,992
Licences and permits		980	-	980
Recording fees and taxes		3,051	-	3,051
		1,113,263	-	1,113,263
General and administrative expenses				
Insurance		19,500	-	19,500
Interest and bank charges		6,061	-	6,061
Office and general		14,895	-	14,895
Professional fees		214,287	-	214,287
Salaries and benefits		4,452	-	4,452
Shareholders' information		71,662	-	71,662
Share-based payments		325,600	-	325,600
Travel and promotion		10,909	-	10,909
		667,366	-	667,366
Loss before income taxes		(1,780,629)	-	(1,780,629)
Deferred income tax recovery	15.a	329,600	4,273	333,873
Net loss and comprehensive loss for the year	15.b	$ (1,451,029)	4,273	$ (1,446,756)
Weighted average number of common shares outstanding - basic and diluted		53,103,657	-	53,103,657
Loss per share		$ (0.03)	-	$ (0.03)

16. INTERESTS IN JOINT VENTURES

The Company does not have any significant assets, liabilities, revenues, expenses or cash flows from its interests in joint ventures as at and for the years ended March 31, 2012 and 2011.

17. SUBSEQUENT EVENT

Subsequent to the year ended March 31, 2012, a shareholder of the Company advanced $185,000 in loans to the Company for working capital purposes. The amount owing to the shareholder is due on demand, unsecured and non-interest bearing. No guarantees have been given.