MILL BAY VENTURES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended October 31, 2011 and 2010

Index

NOTICE OF NO AUDITOR REVIEW

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

The accompanying unaudited interim consolidated financial statements of the Company for the period ending October 31, 2011 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

MILL BAY VENTURES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS FINANCIAL POSITION
(Unaudited)

As at	Note	Oct. 31, 2011	April 30, 2011 (note 13)	May 1, 2010 (note 13)
ASSETS				
Current Assets				
Cash and cash equivalents		$ 593,225	$ 312,418	$ 85,348
Interest Receivable		-	99	-
Sales taxes recoverable		32,685	61,988	4,078
Mining tax credit receivable		2,122	6,039	4,043
Prepaid expense		18,368	18,840	8,274
		646,400	399,384	101,743
Non-Current Assets				
Reclamation bond	**6**	11,000	11,000	11,000
Investment	**4**	70,802	115,502	82,652
Exploration and evaluation assets	**5**	1,512,069	1,264,711	1,272,561
Other property and equipment	**7**	1,661	1,954	711
		$ 2,241,932	**$ 1,792,551**	**$ 1,468,667**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		$ 20,676	$ 48,351	$ 37,577
Amounts due to related parties	**9**	11,416	19,762	7,404
Non-current liabilities				
Site restoration obligation	**6**	13,000	13,000	-
		45,092	81,113	44,981
SHAREHOLDERS' EQUITY				
Share capital	**8**	11,874,867	11,159,582	10,384,688
Share subscriptions receivable		(25,000)	-	-
Reserves for options		103,430	50,184	317,784
Reserves for warrants		110,279	103,636	14,853
Accumulated other comprehensive income		(97,296)	(52,596)	(41,150)
Deficit		(9,769,440)	(9,549,368)	(9,252,489)
		2,196,840	1,711,438	1,423,686
		$ 2,241,932	**$ 1,792,551**	**$ 1,468,667**

Note 1 – Nature of Operations and Going Concern
Note 14 – Subsequent Events

Approved by the Board:

" William Glasier " **Director** ***"William Kocken "*** **Director**

MILL BAY VENTURES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three months ended Oct. 31, 2011	Three months ended Oct. 31, 2010	Six months ended Oct. 31 2011	Six months ended Oct. 31 2010
GENERAL AND ADMINISTRATIVE EXPENSES				
Depreciation	$ 146	$ 54	$ 293	$ 107
Accounting and audit fees	1,400	1,500	1,400	1,500
Consulting fees	-	5,000	1,500	12,500
General exploration expenditures	257	399	15,042	3,289
Investor relations and shareholder information	17,250	5,476	32,895	11,241
Legal fees	5,570	3,433	7,965	6,176
Listing and filing fees	1,409	2,297	2,709	8,479
Management fees	22,500	22,500	45,360	45,000
Office and administrative services and supplies	21,863	38,739	48,303	56,577
Stock based compensation	53,246	-	53,246	-
Transfer agency fees	1,961	7,260	3,135	12,749
Travel and accommodation	2,376	2,553	6,051	7,972
	127,978	89,211	217,899	165,590
OPERATING LOSS	(127,978)	(89,211)	(217,899)	(165,590)
OTHER INCOME				
Gain on foreign exchange	(2,315)	-	(2,315)	-
Gain on sale of investment	-	(7,055)	-	15,445
Interest income	72	-	142	7
LOSS FOR THE PERIOD	(130,221)	(96,266)	(220,072)	(150,138)
OTHER COMPREHENSIVE INCOME				
Unrealized gain (loss) on investment securities	(33,500)	8,400	(44,700)	(300)
TOTAL COMPREHENSIVE LOSS	$ (163,721)	$ (87,866)	$ (264,772)	$ (150,438)
LOSS PER SHARE (Basic and Diluted)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (Basic and Diluted)	10,849,638	7,005,220	9,428,880	6,663,748

MILL BAY VENTURES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)

	Note	Number of Common Shares	Capital Stock	Subscriptions received in advance	Share subscriptions receivable	Reserves	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, May 1, 2010	13	6,605,025	$ 10,384,688	$ -	$ -	$ 332,637	$ (9,252,489)	$ (41,150)	$ 1,423,686
Net loss for the period		-	-	-	-	-	(150,138)	-	(150,138)
Common shares and warrants issued for cash		1,363,635	229,195	-	-	30,000			259,195
Shares to be issued for subscriptions received		-	-	188,000	-				188,000
Comprehensive gain (loss) on fair value of investments	4	-	-	-	-	-	-	(31,050)	(31,050)
Balance, October 31, 2010		**7,968,660**	**$ 10,613,883**	**$ 188,000**	**$ -**	**$ 362,637**	**$ (9,402,627)**	**$ (72,200)**	**$ 1,689,693**
Balance, April 30, 2011		12,196,539	$ 11,159,582	$ -	$ -	$ 153,820	$ (9,549,368)	$ (52,596)	$ 1,711,438
Net loss for the period		-	-	-	-	-	(220,072)	-	(220,072)
Common shares and warrants issued for cash		8,000,000	715,285	-	(25,000)	6,643	-	-	696,928
Stock based compensation		-	-	-	-	53,246	-	-	53,246
Comprehensive gain (loss) on fair value of investments	4	-	-	-	-	-	-	(44,700)	(44,700)
Balance, October 31, 2011		**20,196,539**	**$ 11,874,867**	**$ -**	**$ (25,000)**	**$ 213,709**	**$ (9,769,440)**	**$ (97,296)**	**$ 2,196,840**

MILL BAY VENTURES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN CASH FLOWS
(Unaudited)

	Three months ended Oct. 31, 2011	2010	Six months ended Oct. 30, 2011	2010
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Loss for the period	$ (130,221)	$ (96,266)	$ (220,072)	$ (150,138)
Items not involving cash in the period:				
Depreciation	147	54	293	107
Stock based compensation	53,246	-	53,246	-
Loss on sale of investment	-	7,055	-	(15,445)
	(76,828)	(89,157)	(166,533)	(165,476)
Changes in non-cash working capital items (Note 12)	(49,867)	(28,857)	7,770	(18,506)
	(126,695)	(118,014)	(158,763)	(183,982)
INVESTING ACTIVITIES				
Mineral property acquisition costs	-	-	-	-
Mineral property exploration costs, net	(107,840)	(51,109)	(247,358)	(59,629)
Prepaid mineral property acquisition costs	-	-	(10,000)	-
Proceeds on sale of investment	-	6,445	-	31,945
	(107,840)	(44,574)	(257,358)	(27,684)
FINANCING ACTIVITIES				
Shares issued for cash, net of issue costs	721,928	259,195	721,928	259,195
Share subscriptions receivable	(25,000)	-	(25,000)	-
Share subscriptions	-	188,000	-	188,000
	696,928	447,195	696,928	447,195
DECREASE IN CASH AND CASH EQUIVALENTS IN PERIOD	462,393	284,607	280,807	235,529
CASH AND CASH EQUIVALENTS, beginning of period	130,832	36,270	312,418	85,348
CASH AND CASH EQUIVALENTS, end of period	$ 593,225	$ 320,877	$ 593,225	$ 320,877
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION				
Foreign exchange loss (gain)	2,315	946	2,315	2,356
SUPPLEMENTARY DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES				
Prepaid mineral property costs by the issuance of common shares	-	-	-	-
Mineral property interests acquired by the issuance of common shares	-	20,000	-	20,000

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Mill Bay Ventures Inc. ("Mill Bay") was incorporated under the laws of the Province of British Columbia. The Company owns interests in mineral properties in the Provinces of British Columbia and the States of Nevada and Utah, U.S.A. The Company's principal business is the exploration and development of its mineral property interests. The Company`s head office and principal place of business is Suite 900 – 570 Granville Street, Vancouver, British Columbia, Canada.

Mill Bay is in the exploration stage of its mineral properties interests in Canada and United States of America. The Company has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The carrying value of the mineral properties interests represents the total of net costs capitalized, and is not intended to reflect either their present or future value.

The recoverability of amounts shown for mineral properties interests and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's legal interest in the mineral claims, the ability of the Company to obtain necessary financing to complete development, and future profitable production or proceeds from the disposition of its mineral properties interests. For those properties in which it has a joint venture interest, it is required to contribute its proportionate share of costs or accept dilution of its interest.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and meet its obligations in the ordinary course of business. There are conditions that cast doubt on the validity of this assumption. As at October 31, 2011, the Company had a working capital of $614,308 (October 31, 2010 – $310,797) and an accumulated deficit of $9,769,440 (October 31, 2010 - $9,402,627). The Company will likely be required to raise new financing through the sale of shares to maintain operations. These factors together raise substantial doubt about its ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not reflect adjustments for the possible future effect on the recoverability and classification of the assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty. Realization values may be substantially different from carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

NOTE 2 – BASIS OF PRESENTATION

i) Statement of compliance and conversion to International Financial Reporting Standards

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS condensed interim consolidated financial statements for part of the period covered by the Company's first IFRS condensed annual consolidated financial statements for the year ending April 30, 2012. Previously, the Company prepared its condensed consolidated annual and condensed consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting and measurement methods previously applied in the GAAP financial statements to comply with IFRS. Note 13 contains reconciliations and descriptions of the effect of the transition from GAAP to IFRS on equity, operations and comprehensive loss along with reconciliations of the statements of financial position as at May 1, 2010, October 31, 2010 and April 30, 2011 and the statements of operations and comprehensive loss and cash flows for the three months ended October 31, 2010 and for the year ended April 30, 2011.

NOTE 2 – BASIS OF PRESENTATION (Continued)

i) Statement of compliance and conversion to International Financial Reporting Standards (continued)

As these are the Company's first set of condensed interim consolidated financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and some additional disclosures required under IFRS, which also highlight the changes from the Company's 2011 annual condensed consolidated financial statements prepared in accordance with GAAP. In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's condensed consolidated interim financial statements under IFRS as the reader will be able to rely on the annual condensed financial statements, which will be prepared in accordance with IFRS.

ii) Basis of presentation

These condensed interim consolidated financial statements are presented in Canadian Dollars and have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

These condensed interim consolidated financial statements do no include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are expected to be effective or available for early adoption on April 30, 2012, the Company's first IFRS annual reporting date.

The standards that will be effective or available for voluntary early adoptions in the condensed consolidated annual financial statements for the year ending April 30, 2012 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies for the annual period that are relevant to these condensed interim consolidated financial statements will be determined only when the first IFRS financial statements are prepared for the year ending April 30, 2012.

The preparation of these condensed interim consolidated financial statements resulted in changes to the accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements. They also have been applied in preparing an opening IFRS statement of financial position at May 1, 2010 for the purpose of transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards* (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 13.

NOTE 2 – BASIS OF PRESENTATION (Continued)

iii) Foreign Currencies

The presentation currency of the Company and the functional currency of the Company and its subsidiary is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

iv) Significant Accounting Judgments and Estimates

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable and prepayments which are included in the condensed interim consolidated interim statement of financial position;
- the carrying value and recoverable amount of exploration and evaluation assets;
- the provision for the site restoration obligation.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Golden Reef Mining Co. Inc. (“Golden Reef”), a company incorporated in Nevada, USA. Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed consolidated interim financial statements.

ii) Financial Instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provision of the financial instrument. The Company does not have any derivative financial instruments.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Financial Instruments (Continued)

Financial Assets
The Company classifies its financial assets into one of the following categories, at initial recognition depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the income statement.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the income statement.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the income statement.
Transactions costs associated with Fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial Liabilities
The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the income statement.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

iv) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

Incidental revenues and operating costs are included in mineral properties and development costs prior to commercial production. Accrued tax credits on eligible exploration expenditures are accounted for as deduction from mineral properties and development costs, on a property by property basis, and will be charged to operations on the same basis as the acquisition, exploration and development expenditures. The exploration tax credits are accrued in the year when the exploration expenditures are incurred and the tax credit is applied for, provided there is reasonable assurance that the tax credits will be realized.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to Mine Properties.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations

v) Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Impairment (Continued)

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length ransaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

vi) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

vii) Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

viii) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

viii) Income taxes (Continued)

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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

ix) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

x) Site restoration liability

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through deprecation using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company evaluated its site restoration liability to be $13,000 as at October 31, 2011 (October 31, 2010 - $nil).

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

xi) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

xii) New accounting standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2010, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The Company has not early adopted these standards, amendments and interpretations. However the Company is currently assessing what impact the application of these standards or amendments will have on the condensed consolidated financial statements of the Company.

New accounting standards effective January 1, 2012

Amendments to IFRS 7 Financial Instruments: Disclosures
In October 2010, the IASB issued amendments to IFRS 7 that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed interim consolidated financial statements.

IAS 12 Income taxes
In December 2010, the IASB issued an amendment to IAS 12 that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed interim consolidated financial statements.

New accounting standards effective January 1, 2013

IFRS 9 Financial Instruments
IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

xii) New accounting standards and interpretations not yet adopted (Continued)

IFRS 9 Financial Instruments

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

IFRS 10 Consolidated Financial Statements
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 Joint Arrangements
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 Fair Value Measurement
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards
In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 9 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is evaluating the impact of these new standards on its consolidated financial statements but does not anticipate these new standards will have a significant impact on its consolidated financial statements.

NOTE 4 – INVESTMENT

Investment in shares consists of the following:

	Number of Shares	Cost	Accumulated Unrealized Gain (Loss)	October 31, 2011 Fair Value	April 30, 2011 Fair Value
		$	$	$	$
Available-for-sale shares:					
Levon Resources Ltd.	30,000	1,800	36,900	38,700	66,900
CMQ Resources Inc.	30,000	105,500	(103,400)	2,100	3,600
Dynasty Gold Corp.	500,000	55,000	(25,000)	30,000	45,000
Brettco Oil & Gas Inc. (Class “A” shares)	50,000	1	-	1	1
Oniva International Services Corporation	1	1	-	1	1
	610,001	162,302	(91,500)	70,802	115,502

Levon Resources Ltd. (“Levon”) and Coral Gold Resources Ltd. (“Coral”) are related public companies with common directors. Oniva International Services Corporation (“Oniva”) is a private company with common management, which provides office and administration services to the Company. Fair value was determined using quoted market prices as at October 31, 2011 and April 30, 2011.

The Company owns a 16.67% equity interest in Oniva, a private company with common management, which provides office and administration services to the Company. The remaining 83.33% is shared equally between five other companies that are related by common directors and management (see Note 10 for disclosure on the Company’s commitment to Oniva). As Oniva is a private company, fair value is not readily determinable as at October 31, 2011 and April 30, 2011; the investment in Oniva is shown at its carrying value as at these period-ends.

NOTE 5 – EXPLORATION AND EVALUATION ASSETS

	Saskatchewan Coal Lease	Valentine Claims	BRX Claims	Ivanpah Claims	AC Claims	Golden Repeat Claims	JDN Claims	E & E Claims	Total
	$	$	$	$	$	$	$	$	$
Balance, April 30, 2010	73,840	488,051	565,736	1	144,930	1	1	1	1,272,561
Acquisitions in period:	-	-	-	-	30,581	-	-	-	30,581
Exploration costs incurred in period:									
Assay	-	40,743	-	-	-	-	-	-	40,743
Consulting	-	136,773	-	-	-	-	-	-	136,773
Drilling	-	299,315	-	-	-	-	-	-	299,315
Geological	-	25,733	-	-	-	-	-	-	25,733
Licenses and taxes	-	3,629	-	-	16,921	-	-	-	20,550
Mapping	-	8,186	-	-	-	-	-	-	8,186
Mining tax credit	-	(1,996)	-	-	-	-	-	-	(1,996)
Option revenue	-	(10,000)	-	-	-	-	-	-	(10,000)
Reclamation	-	8,000	-	-	-	-	-	-	8,000
Write-down	-	-	(565,735)	-	-	-	-	-	(565,735)
Balance, April 30, 2011	73,840	998,434	1	1	192,432	1	1	1	1,264,711
Exploration costs incurred in period:									
Assay	-	29,794	-	-	-	-	-	-	29,794
Consulting	-	51,427	-	-	-	-	-	-	51,427
Drilling	-	67,232	-	-	-	-	-	-	67,232
Geological	-	12,234	-	-	32,178	-	-	-	44,412
Licenses and taxes	-	13,026	-	-	41,467	-	-	-	54,493
Balance, Oct. 31, 2011	73,840	1,172,147	1	1	266,077	1	1	1	1,512,069

Saskatchewan Coal Lease

During fiscal 2009, the Company filed Coal Disposition Applications to the Ministry of Energy and Resources of Saskatchewan. As at April 30, 2009, total fees of $55,440 have been paid to the Government of Saskatchewan with the township applications; as well $12,000 and 8,000 common shares have been paid as finder's fees on the Applications, which were recorded as prepaid mineral property acquisition costs. In July 2009 the Applications were approved and the prepaid acquisition costs were transferred and recorded under the mineral property interests.

NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)

Valentine Claims

During fiscal 2008, the Company acquired 3 mineral claims on Valentine Mountain located 42 kilometres west of Victoria, B.C., Canada, by paying $13,000. Further, the Company acquired six additional mineral claims comprising of 4,495 acres on Valentine Mountain, for total consideration of $5,000 and 300,000 common shares of the Company (see Note 9). One of the claims is subject to a 5% NSR to an end price of $1,000,000. The Company also acquired a further 13 mineral claims on Valentine Mountain by staking.

During fiscal 2009, the Company purchased five more claims on Valentine Mountain for total consideration of $15,000 in cash and 50,000 common shares of the Company (see Note 9).

During the period ended January 31, 2011, the Company executed a Letter of Intent (the "LOI) with NT Mining Corporation ("NTMG") to enter into an option agreement (the "Option") on the Valentine Mountain property. The Company received $10,000 from NTMG as down payment on the LOI, however; as NTMG did not meet the terms of the Option, the Company terminated the option agreement.

BRX Claims

During 2003, the Company signed an option agreement with Levon to acquire a 50% joint venture interest in 77 reverted Crown granted claims and 4 modified grid claims in the Lillooet Mining Division, British Columbia, by issuing 10,000 common shares and incurring exploration expenditures of $100,000 on or before each of December 17, 2003, 2004 and 2005.

Effective September 1, 2003, Mill Bay signed an amending option agreement with Levon, deferring the issuance of 10,000 common shares and incurring of $100,000 of exploration expenditures due by December 31, 2003 to December 31, 2004.

During 2005, the Company exercised its option to acquire the 50% joint venture interest in the BRX claims, by issuing 30,000 common shares and incurring total exploration expenditures of $300,000. Under the joint venture agreement with Levon each of the participants is required to fund their proportionate share of further exploration expenditures, failing of which will dilute their interest. On dilution to 10%, the non-contributor's interest will convert to a 10% net profits royalty interest.

During 2008 and 2007, the Company incurred $25,016 and $67,198 respectively of deferred exploration expenditures on the BRX claims, which were not proportionately funded by Levon. The Company waived the requirement of proportionate funding by Levon on these specific expenditures; notwithstanding this waiver, the terms of the Joint Venture Agreement were ratified by the Company and Levon to remain in effect.

During the fiscal year of 2011, the Company wrote down the value of the BRX Claims to a nominal value of $1 due to exploration inactivity. The Company is keeping all claims in good standing.

Ivanpah Claims

During 2007, the Company acquired 16 placer mining claims located in Clark County, Nevada, known as the Ivanpah Property, for consideration of the issuing 220,000 common shares of the Company (issued) and US$128,000 (paid). The claims were acquired from a Company controlled by a director.

During the fiscal year of 2010, the Company wrote down the value of the Ivanpah Claims to a nominal value of $1. The Company is keeping all claims in good standing however no exploration is currently planned on this property.

NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)

AC Claims

During the fiscal year of 2008, the Company entered into an option agreement to acquire 119 mining claims located in Lander County, Nevada, known as the AC Gold Property, covering up to approximately two square miles, in consideration of paying US$1,500,000 in instalments to the optionor and incurring US$1,500,000 in exploration work on the property over the next 15 years.

The Company granted to the optionor a 3% net smelter returns royalty, of which the company has the option to buy-down one-third (i.e. 1%) at any time for the payment of US$1,000,000. During fiscal 2008, the Company issued 10,000 common shares as a finder's fee to an arm's length finder in regards to this option agreement.

During fiscal 2010, the Company signed an amending agreement whereby 8 claims were abandoned, reducing the original 119 claims to 111 claims, the advance minimum royalty payments were reduced from US$1,500,000 to US$1,300,000, the expenditure commitments were reduced from US$1,500,000 to US$10,000 (spent) and the 3% net smelter returns royalty was removed, all in consideration for issuing 150,000 common shares of the Compan7y in three annual instalments. The first instalment of 50,000 common shares was issued in fiscal 2010 and the second instalment was issued in fiscal 2011.

The terms of the amended option agreement are as follows:

Due Date	**Advance Minimum Royalty Payments** US$	**Expenditure Commitments on the Property** US$
Execution	5,000(paid)	-
1st Anniversary	15,000 (paid)	10,000 (spent)
2nd Anniversary	-	-
3rd Anniversary	15,000 (paid)	-
4th Anniversary	15,000	-
5th Anniversary	15,000	-
6th Anniversary	20,000	-
7th Anniversary	25,000	-
8th Anniversary	30,000	-
9th Anniversary	35,000	-
10th Anniversary	40,000	-
11th Anniversary	1,085,000	-
Total	1,300,000	10,000

NOTE 5 - MINERAL PROPERTIES INTERESTS (Continued)

Golden Repeat Claims

The Company has a 100% interest in 49 mining claims in Elko County, Nevada, U.S.A.

During fiscal 2008, the Company and its wholly owned subsidiary, Golden Reef Mining Co, Inc. entered into a letter of intent with Meridian Minerals Corp. ("Meridian") for the exploration and earn-in of the Golden Repeat Claims.

During fiscal 2009, Meridian terminated the letter of intent. As the Company has not completed any exploration or development on the property in recent years, the Company has written down the prior acquisition and exploration costs of to a nominal value. This resulted in a fiscal 2009 write down of $21,331, included in operations of the Company.

During the year ended April 30, 2011, the Company executed a Letter of Intent with Dynasty Gold Corp. ("Dynasty") to enter into an option agreement whereby Dynasty can earn a 51% interest in the claims for the following consideration:

- Pay $50,000 in cash (received), issue 500,000 shares of its common stock (received) on signing of the Option Agreement, and incur an aggregate $200,000 in exploration expenditures on the claims in year one of the Option.
- Pay $75,000, issue 500,000 shares of its common stock and incur an aggregate $300,000 in exploration expenditures on the claims in year two of the Option.
- Pay $100,000, issue 500,000 shares of its common stock, and incur an aggregate $400,000 in exploration expenditures on the claims in year three of the Option.
- Pay $250,000, issue 1,000,000 shares of its common stock, and incur an aggregate $600,000 in exploration expenditures on the claims in year four of the Option.

Dynasty can earn up to 70% interest in the claims by paying $2,000,000 after it has earned its initial 51% in the Claims. The Company will retain a 3% NSR.

JDN claims

The Company has a 50% interest in 27 mining claims in Lander County, Nevada, U.S.A. (50% owned by a subsidiary of Coral Gold Resources Ltd.).

E & E and DH Claims

The Company has a 100% interest in 54 mining claims in Eureka County, Nevada, U.S.A.

NOTE 6 – RECLAMATION BOND

The Company has hypothecated a term deposit in the amount of $11,000 (2010 - $11,000) as security to the Province of British Columbia for future mineral claims site reclamation.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Mining equipment, USA	Automotive equipment	Total
Cost				
Balance at May 1, 2010	$ 3,881	$ 255,466	$ 39,714	$ 299,061
Additions	1,574	-	-	1,574
Balance at April 30, 2011 and Oct. 31, 2011	$ 5,455	$ 255,466	$ 39,714	$ 300,635

	Office equipment	Mining equipment, USA	Automotive equipment	Total
Accumulated depreciation and impairment loss				
Balance at May 1, 2010	$ 3,171	$ 255,467	$ 39,713	$ 298,351
Depreciation	330	-	-	330
Balance at April 30, 2011	3,501	255,467	$ 39,713	$ 298,681
Depreciation	293	-	-	293
Balance at October 31, 2011	$ 3,794	$ 255,465	$ 39,713	$ 298,974

Net book value amounts	
At October 31, 2011	$ 1,661
At April 30, 2011	$ 1,954
At May 1, 2010	$ 711

NOTE 8 - SHARE CAPITAL

i) Authorized: unlimited common shares without par value.

ii) Issued:

During the period ended October 31, 2011, the Company completed a non-brokered private placement consisting of 8,000,000 units, issued at a price of $0.10 per unit. Each unit constsists of one common share and one common share purchase warrant, with each warrant exercisable at a price of $0.15 for six months following the close of the private placement, at $0.25 in months seven through twelve following the close of the private placement, and at $0.50 in months thirteen through twenty-four following the close of the Private placement. The Company bi-furcated the warrant component from the common share component of the issued units using the residual value approach. As the market price was higher than unit issue price there was no value attributable to the warrant component. The Company incurred $78,072 in share issuance costs associated with the issuance of the units, including $6,643 relating to the issuance of 642,500 agents' warrants. The agents' warrants are exercisable on the same terms as the warrants issued as part of the units.

On June 16, 2010, the Company completed a consolidation of its common shares on a 1 new for 10 old common shares basis. These financial statements have been restated to give retroactive effect to this common share consolidation.

NOTE 8 - SHARE CAPITAL (Continued)

ii) Share purchase warrants

The continuity of warrants for the six months ended October 31, 2011 is as follows:

	Number Outstanding	Weighted Average Exercise Price
Balance at April 30, 2010	1,297,056	$0.50
Expired	(1,297,056)	$0.50
Issued	6,009,366	$0.25
Balance at April 30, 2011		
Issued	8,642,500	$0.15
Balance at October 31, 2011	14,651,866	$0.19

iii) Share-based payments

The Company has an equity-settled stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The purpose of the plan is to advance the interests of the Company by encouraging these individuals to acquire shares in the Company and thereby remain associated with, and seek to maximize the value of, the Company.

Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options under the plan may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time. The options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant.

The following table summarizes information about stock options outstanding as at October 31, 2011:

	Number Outstanding	Weighted Average Exercise Price
Balance at April 30, 2010	270,000	$1.20
Expired	202,500	$1.20
Balance at April 30, 2011	57,500	$1.20
Issued	1,740,000	$0.15
Balance at October 31, 2011	1,797,500	$1.18

NOTE 8 - SHARE CAPITAL (Continued)

iv) Escrow shares

As at October 31, 2011, there was 330,000 common shares held in escrow (2010 – 496,000). Details are as follows:

i) In May 2006, 220,000 shares were issued for the purchase of the Ivanpah mineral claims (Note 5). The shares would be held in escrow and be released over 72 months in six month intervals beginning November 14, 2006, at a rate of 5% per interval for the first 24 months and then 10% every six months thereafter. There were no shares released in the six months ended October 31, 2011, 110,000 common shares remain in escrow (2010 – 132,000).

ii) In April 2008, 300,000 shares were issued for the purchase of the Valentine mineral claims (Note 5). The shares would be held in escrow and be released over a six year period every six months beginning October 14, 2008, at a rate of 5% per interval for the first 24 months and then 10% every six months thereafter. There were no shares released in the three months ended October 31, 2011, and 180,000 common shares remain in escrow (2010 – 270,000).

iii) In June 2008, 50,000 shares were issued for the purchase of additional claims in the Valentine Mountain area (Note 5). There were no shares released in the three months ended October 31, 2011 and 40,000 remain in escrow (2010 – 50,000).

NOTE 9 – RELATED PARTY BALANCES AND TRANSACTIONS

i) Management transactions

For the six months ended October 31, 2011

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for six months ended October 31, 2011 and 2010 are as follows:

	2011	2010
Salaries and benefits	$ 89,700	$ 84,973
Stock-based compensation	19,890	-
	$ 109,590	$ 84,973

ii) *Other related party transactions*

$30,851 (2010 - $30,593) was charged for office, occupancy and miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva International Services Corp. (“Oniva”). The Company takes part in a cost-sharing arrangement to reimburse Oniva for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage based fee on the total overhead and corporate expenses. The arrangement may be terminated with one month notice by either party.

NOTE 9 – RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

iii) *Due to related parties*

There was $3,362 (2010 - $13,432) due to Oniva. The Company receives rent, office and administrative supplies and services from Oniva, a private company related by common management. There was $7,386 (2010 - $4,224) due to directors and officers of the Company. The amounts due to related parties are non-interest bearing, unsecured and due on demand.

NOTE 10 – FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, amounts receivable, due to related party and accounts payables and accrued liabilities approximate their carrying values because of the short-term nature of these instruments. The fair value of the Company's available for sale securities is detailed in Note 4.

The Company's financial instruments are exposed to certain financial risks, credit risk, liquidity risk and market risk.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk.

The Company manages credit risk, in respect of cash, by maintaining the majority of cash at high credit rated Canadian financial institutions. However, as at October 31, 2011 cash and cash equivalents exceed the amounts covered under federal deposit insurance for a total amount of $493,225 as at October 31, 2011 (April 30, 2011 - $212,418).

Concentration of credit risk exists with respect to the Company's cash as the majority of the amounts are held with a single Canadian financial institution.

The Company's amounts receivable consist primarily of harmonized sales tax due from the federal government of Canada. As such, the Company considers this risk to be minimal.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company has cash at October 31, 2011 in the amount of $593,225 (2010 - $320,877) in order to meet short-term business requirements. At October 31, 2011, the Company had current liabilities of $32,092 (2010 - $39,357). Accounts payable have contractual maturities of approximately 30 days or are due on demand and are subject to normal trade terms. Amounts due to related parties are without stated terms of interest or repayment.

NOTE 10 – FINANCIAL INSTRUMENTS (Continued)

(c) Market Risk

Market risk consists of interest rate risk, foreign currency risk and other price risk. These are discussed further below.

Interest Rate Risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.
The Company's cash and cash equivalents are currently held in highly liquid short-term investments and therefore management considers the interest rate risk to be minimal
.
Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

At this time, the Company is not exposed to foreign currency risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its investment in related parties as they are carried at fair value based on quoted market prices.

(e) Classification of Financial Instruments

IFRS 7 *'Financial Instruments: Disclosures'* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

NOTE 11 – CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As at October 31, 2011, the Company had $601,308 of capital (April 30, 2011 - $318,271), an increase of capital of $283,037 during the six months ended October 31, 2010.

NOTE 12 - CASH PROVIDED BY (USED IN) CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Six months ended October 31, 2011	Six months ended October 31, 2010
Interest receivable and other receivable	$ 99	$ -
Mining tax credit receivable	3,917	-
Goods and services tax recoverable	29,303	(9,117)
Prepaid expense	10,472	(3,765)
Accounts payable and accrued liabilities	(27,675)	(6,489)
Due to related parties	(8,346)	865
	$ 7,770	$ (18,506)

NOTE 13 – FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first condensed interim consolidated financial statements for the period covered by the first annual condensed consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied in preparing the condensed interim consolidated financial statements for the three months ended October 31, 2011, the comparative information for the six months ended October 31, 2010, the statement of financial position as at April 30, 2011 and the preparation of an opening IFRS statement of financial position on the transition date, May 1, 2010.

In preparing its opening IFRS statement of financial position and comparative information for the financial statements for the year ended April 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

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

The guidance for the first time adoption of IFRS is set out in IFRS 1 *'First-time Adoption of International Financial Reporting Standards'*. Under IFRS 1 the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP charged to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated May 1, 2010:

(a) Contributed Surplus

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. The Company examined its "contributed surplus" account and concluded that, as at the May 1, 2010 transition date and the comparative dates of October 31, 2010 and April 30, 2011, part of the contributed surplus relates to "Reserves for options" and part to "Reserves for Warrants".

IFRS also permits a transfer of reserves arising from share-based transactions, within equity. At May 1, 2010, $66,900 of total reserves related to options no longer outstanding and was therefore transferred to Deficit, in order that the balance of "Reserves for Options" reflected only the fair value of options outstanding on that date. During the year ended April 30, 2011, some options outstanding May 1, 2010 were expired, and therefore a further transfer of the adjusted fair value attributed to these expired options and warrants of $267,600 was made to Deficit.

In preparing these condensed consolidated interim financial statements, the Company reflected the result of transition in the table below:

Reconciliation of Assets, Liabilities and Equity

The table below provides a summary of the adjustments to the Company's balance sheets at April 30, 2011, October 31, 2010 and May 1, 2010.

	April 30, 2011	Oct. 31, 2010	May 1, 2010
Total assets under Canadian GAAP	$ 1,792,551	$ 1,729,050	$ 1,468,667
Adjustments required upon adoption of IFRS	-	-	-
Total assets under IFRS	**$ 1,792,551**	**$ 1,729,050**	**$ 1,468,667**
Total liabilities under Canadian GAAP	$ 81,113	$ 39,357	$ 44,981
Adjustments required upon adoption of IFRS	-	-	-
Total liabilities under IFRS	**$ 81,113**	**$ 39,357**	**$ 44,981**
Total equity under Canadian GAAP	$ 1,711,438	$ 1,689,693	$ 1,423,686
Expired options	(267,600)	-	-
Deficit	267,600	-	-
Total equity under IFRS	**$ 1,711,438**	**$ 1,689,693**	**$ 1,423,686**
Total liabilities and equity under IFRS	**$ 1,792,551**	**$ 1,729,050**	**$ 1,468,667**

NOTE 13 – FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Reconciliation of Net Loss and Comprehensive Loss

The table below provides a summary of the adjustments to net loss and comprehensive loss for the year ended April 30, 2011 and the six months ended October 31, 2010:

		April 30, 2011		Oct. 31, 2010
Net loss and comprehensive loss under Canadian GAAP	$	565,625	$	150,438
Adjustments required upon adoption of IFRS		-		-
Net loss and comprehensive loss under IFRS	**$**	**565,564**	**$**	**150,438**

Reconciliation of Cash Flows

The table below provides a summary of the adjustments to cash-flows for the year ended April 30, 2011 and for the six months ended October 31, 2010

		April 30, 2011		Oct. 31, 2010
Operating activities under Canadian GAAP		(310,697)		(183,982)
Adjustments required upon adoption of IFRS		-		-
Operating activities under IFRS	**$**	**(310,697)**	**$**	**(183,982)**
Investing activities under Canadian GAAP		(517,764)		(27,684)
Adjustments required upon adoption of IFRS		-		-
Investing activities under IFRS	**$**	**(517,764)**	**$**	**(27,684)**
Financing activities under Canadian GAAP		1,055,531		**447,195**
Adjustments required upon adoption of IFRS		**-**		**-**
Financing activities under IFRS	**$**	**1,055,531**	**$**	**447,195**