THELON CAPITAL LTD.

Condensed Interim Financial Statements

For the six months ended March 31, 2012

(Expressed in Canadian Dollars, Unless Otherwise Stated)

(Unaudited)

Notice to Readers

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 condensed interim financial statements of Thelon Capital Ltd. for the six months ended March 31, 2012 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim 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 financial statements.

THELON CAPITAL LTD.

Condensed Interim Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)

THELON CAPITAL LTD.

Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	March 31, 2012	(note 12) September 30, 2011	(note 12) October 1, 2012
Assets			
Current			
Cash	**$ 20,953**	$ 428,550	$ 668
Amounts receivable	**200**	1,623	-
HST receivable	**16,584**	15,831	17,883
Due from related parties (note 9)	**39,286**	59,339	-
Prepaid expenses	**38,670**	37,414	5,514
	115,693	542,757	24,065
Non-current			
Equipment (note 4)	**1,782**	2,068	2,862
Mineral interests (note 5)	**5,819,820**	5,777,664	489,822
Deposit on option to purchase (note 6)	**1,725,061**	1,687,294	-
	$ 7,662,356	$ 8,009,783	$ 516,749
Liabilities			
Current			
Accounts payable and accrued liabilities	**$ 261,770**	$ 313,914	$ 99,610
Promissory note payable	**-**	-	34,401
Due to related party (note 9)	**26,504**	38,318	35,411
	288,274	352,232	169,422
Shareholders' Equity			
Share capital (note 7)	**21,759,624**	21,642,026	12,819,147
Share subscriptions receivable	**(122,909)**	(60,409)	-
Share subscriptions received	**-**	-	15,000
Reserves	**3,284,520**	3,279,919	2,329,347
Accumulated deficit	**(17,547,153)**	(17,203,985)	(14,816,167)
	7,374,082	7,657,551	347,327
	$ 7,662,356	$ 8,009,783	$ 516,749

Nature and continuance of operations (note 1)
Commitments (notes 5 and 6)

These condensed interim financial statements were authorized for issue by the Board of Directors on May 1, 2012. They are signed on the Company's behalf by:

"Jason Walsh" ______________________ Director

"Geoff Watson" ______________________ Director

The accompanying notes are an integral part of these financial statements.

THELON CAPITAL LTD.

Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended		For the six months ended	
		(note 12)		(note 12)
	March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011
Administrative expenses				
Advertising and promotion	**$ 18,866**	$ 72,519	**$ 42,468**	$ 149,316
Auto expenses	**1,281**	-	**3,191**	-
Bank charges and interest	**335**	7,295	**797**	8,928
Consulting (note 9)	**58,400**	98,800	**112,900**	194,800
Depreciation	**141**	198	**284**	397
Director fees (note 9)	**6,000**	6,000	**12,000**	11,000
Legal and accounting	**25,243**	28,799	**42,839**	31,843
Office and administration (note 9)	**18,316**	23,782	**36,802**	49,462
Share-based payments (note 8)	**2,158**	26,219	**6,699**	366,239
Shareholder relations	**5,338**	14,836	**36,161**	50,232
Telephone	**3,363**	5,697	**7,936**	6,305
Transfer agent and exchange fees	**8,938**	22,661	**9,927**	31,034
Travel	**20,849**	41,471	**36,293**	52,591
Loss before other items	**(169,228)**	(348,277)	**(348,297)**	(952,147)
Other items				
Foreign exchange gain / (loss)	**1,517**	(4,446)	**5,017**	(10,000)
Other income	**54**	387	**112**	387
Write off of abandoned properties	**-**	(33,333)	**-**	(22,500)
	1,571	(37,392)	**5,129**	(32,113)
Net and comprehensive loss for the period	**$ (167,657)**	$ (385,669)	**$ (343,168)**	$ (984,260)
Basic and diluted loss per share	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.04)
Weighted average number of shares outstanding	**42,840,431**	29,277,480	**42,768,999**	24,209,432

The accompanying notes are an integral part of these financial statements.

THELON CAPITAL LTD.

Condensed Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Share Capital	Share Subscriptions Receivable	Share Subcriptions Received	Reserves	Deficit	Total Equity
Balance at October 1, 2010	10,715,973	$ 12,819,147	$ -	$ 15,000	$ 2,329,347	$ (14,816,167)	$ 347,327
Shares issued for mineral property	7,033,333	2,168,333					2,168,333
Shares issued for debt	14,666	6,600					6,600
Shares issued for cash	10,273,998	2,624,700		(15,000)			2,609,700
Stock options exercised	422,500	84,500					84,500
Warrants exercised	4,544,009	980,460					980,460
Share issue costs	-	(356,487)			155,465		(201,022)
Share-based payments	-	74,685			323,281		397,966
Loss for the period	-					(984,260)	(984,260)
Balance at March 31, 2011	33,004,479	$ 18,401,938	$ -	$ -	$ 2,808,093	$ (15,800,427)	$ 5,409,604
Balance at September 30, 2011	42,378,431	$ 21,642,026	$ (60,409)	$ -	$ 3,279,919	$ (17,203,985)	$ 7,657,551
Warrants exercised	450,000	112,500	(62,500)				50,000
Agents warrants exercised	12,000	3,000					3,000
Reallocation on agents warrants exercised	-	2,098			(2,098)		-
Share-based payments	-				6,699		6,699
Loss for the period	-					(343,168)	(343,168)
Balance at March 31, 2012	**42,840,431**	**$ 21,759,624**	**$ (122,909)**	**$ -**	**$ 3,284,520**	**$ (17,547,153)**	**$ 7,374,082**

The accompanying notes are an integral part of these financial statements.

THELON CAPITAL LTD.

Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended		For the six months ended	
		(note 12)		(note 12)
	March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011
Cash provided by (used for)				
Operating activities				
Net loss for the period	**$ (167,657)**	$ (385,669)	**$ (343,168)**	$ (984,260)
Add items not affecting cash				
Depreciation	**141**	198	**284**	397
Foreign exchange gain (loss)	**(8,517)**	4,446	**(5,017)**	10,000
Interest paid by shares	**-**	6,600	**-**	6,600
Write off of abandoned properties	**-**	33,333	**-**	33,333
Share-based payments	**2,158**	57,946	**6,699**	397,966
	(173,875)	(283,146)	**(341,202)**	(535,964)
Net change in non-cash working capital	**8,131**	38,636	**(52,728)**	462
	(165,744)	(244,510)	**(393,930)**	(535,502)
Financing activities				
Advances from (to) related parties	**19,561**	25,902	**8,239**	(21,361)
Repayment of promissory notes payable	**-**	-	**-**	(34,401)
Issuance of shares for cash	**-**	1,736,601	**53,000**	3,622,348
Share subscriptions received	**-**	-	**-**	(15,000)
Unit issue costs	**-**	(55,500)	**-**	(118,744)
	19,561	1,707,003	**61,239**	3,432,842
Investing activities				
Acquisition of mineral interests	**-**	-	**(42,156)**	(1,050,900)
Deferred exploration expenditures	**-**	(153,935)	**-**	(164,298)
Deposit on option to purchase	**(667)**	(983,000)	**(37,767)**	(983,000)
	(667)	(1,136,935)	**(79,923)**	(2,198,198)
Effect of foreign exchange translation on cash	**8,517**	(4,446)	**5,017**	(10,000)
Net increase (decrease) in cash	**(138,333)**	321,112	**(407,597)**	689,142
Cash, beginning of period	**159,286**	368,698	**428,550**	668
Cash, end of period	**$ 20,953**	$ 689,810	**$ 20,953**	$ 689,810
Supplemental cash flow disclosure				
Interest received (paid)	**$ -**	$ -	**$ -**	$ -
Income taxes paid	**$ -**	$ -	**$ -**	$ -

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Thelon Capital Ltd. (formerly Thelon Ventures Ltd.) (the "Company") is a public company incorporated under the Company Act of British Columbia on February 2, 1982. Pursuant to a resolution passed by the shareholders, the common shares of Thelon Capital Ltd. commenced trading on the TSX Venture Exchange on February 4, 2010 under the trading symbol "THC" and the common shares of Thelon Ventures Ltd. were delisted. The Company also consolidated its share capital on a ten old for one new basis. The Company's principal business activity is the acquisition and exploration of mineral properties.

The Company's corporate office and principal place of business is at Suite 609 – 475 Howe Street, Vancouver, British Columbia, Canada, V6C 2B3.

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its mineral interests, and to commence profitable operations in the future. To date the Company has not generated any revenues and is considered to be in the exploration stage. These condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Further discussion of liquidity risk has been disclosed in Note 11c.

Management is also aware that material uncertainties exist related to current economic conditions which could adversely affect the Company's ability to continue to finance its activities. The Company intends to continue pursuing additional sources of financing through equity offerings to finance its operations and exploration activities. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities, and the balance sheet classifications used. Since the outcome of these matters cannot be predicted at this time, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The recoverability of amounts shown as mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. BASIS OF PREPARATION

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

These condensed interim 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").

These are the Company's second IFRS condensed interim financial statements for the period covered by the Company's first IFRS annual financial statements for the year ending September 30, 2012. The Company previously prepared its annual and condensed interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these condensed interim financial statements, management has amended certain accounting policies and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRS. Note 12 contains the reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, operations, and comprehensive loss, along with the reconciliations of the statements of financial position as at October 1, 2010, December 31, 2010, and September 30, 2011, and a summary reconciliation of the statements of comprehensive loss for the six months ended March 31, 2011 and for the year ended September 30, 2011.

b) Basis of presentation

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

These condensed interim financial statements do not include all of the information required for full annual financial statements.

As these are the Company's second set of condensed interim 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 financial statement prepared in accordance with Canadian GAAP. After September 30, 2012, the Company may not provide the same amount of disclosure in the Company's condensed interim financial statements under IFRS as the reader will be able to rely on the annual financial statements which will be prepared in accordance with IFRS.

These condensed interim financial statements, including the comparatives, have been prepared using accounting policies consistent with IFRS as is expected to be effective on September 30, 2012, the Company's first IFRS annual reporting date.

The standards that will be effective for the annual financial statements for the year ending September 30, 2012 are subject to change and may be affected by additional interpretations; accordingly, the accounting policies for the annual period that are relevant to these condensed interim financial statements will be determined only when the first IFRS financial statements are prepared for the year ending September 30, 2012.

2. BASIS OF PREPARATION (continued)

b) Basis of presentation (continued)

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all period presented in the condensed interim financial statements. They have also been applied in preparing an opening IFRS statement of financial position at October 1, 2010 for the purpose of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards ("IFRS 1")*. The impact of the transition from Canadian GAAP to IFRS is explained in Note 12.

c) Foreign currencies

i) Presentation and functional currency

The presentation and functional currency of the Company is the Canadian Dollar.

ii) Foreign currency transactions

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 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.

d) Significant accounting judgments and estimates

The preparation of the condensed interim financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of the condensed interim financial statements also requires management to exercise judgment in the process of applying the accounting policies.

i) Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

(a) Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the six months ended March 31, 2012 (March 31, 2011 – Nil).

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgments and estimates (continued)

i) Critical accounting estimates (continued)

(b) Useful life of property, plant, and equipment

Property, plant, and equipment are depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of equipment. Total carrying value of property, plant, and equipment at March 31, 2012 was $1,782 (September 30, 2011 - $2,068).

(c) Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's condensed interim financial statement of comprehensive loss. For the six months ended March 31, 2012, the Company recognized share-based compensation expense of $6,699 (March 31, 2011 - $366,239).

ii. Critical judgments used in applying accounting policies

In the preparation of these condensed interim financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the condensed interim financial statements.

(a) Mineral Interests

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral interests. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral interests under exploration and subject to different accounting treatment. As at September 30, 2011 and March 31, 2012, management had determined that no reclassification of mineral interests was required.

(b) Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

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

i) Financial assets

The Company classifies its financial assets into 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:

(a) 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 statement of comprehensive loss. The Company has not classified any financial assets as fair value through profit and loss.

(b) 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. The Company has classified cash, amounts receivable, and due from related parties as loans and receivables.

(c) 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 statement of operations and comprehensive loss. The Company has not classified any financial assets as held-to-maturity investments.

(d) 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 other comprehensive income or loss ("OCI"). 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 OCI and recognized in the statement of operations and comprehensive loss. The Company has not classified any financial assets as available-for-sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

Transaction 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.

ii) 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:

(a) 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 statement of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

(b) Other financial liabilities

This category includes accounts payable and accrued liabilities which are recognized at amortized cost. The Company has classified accounts payable and accrued liabilities and due to related party as other financial liabilities.

b) Cash and cash equivalents

Cash in the statement of financial position is comprised of 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.

c) Mineral interests

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Mineral interests (continued)

All direct costs related to the acquisition of mineral interests are capitalized into intangible assets on a property by property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral interests pursuant to the terms of the agreement. Once the legal right to explore a property has been acquired, the Company capitalizes exploration expenditures incurred on properties in the exploration and evaluation phase. These costs will be amortized against revenues from future production or written off in the interest is abandoned or sold. Proceeds received from the sale of any interest and government assistance in a property will be credited against the carrying value of the property, with any access included in operations for the period.

An exploration and evaluation asset acquired under an option agreement where payments are made at the sole discretion of the Company is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the exploration and evaluation asset until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee; accordingly, they are accounted for when receipt is reasonably assured.

After a property is determined by management to be commercially feasible, exploration and development expenditures on the property will be transferred to property, plant, and equipment as mine and mill costs. Prior to transfer, the assets will be tested for impairment. The costs related to a property from which there is production, will be depleted and amortized using the unit-of-production method.

At each reporting date, capitalized acquisition costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral interests is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

d) Property, plant, and equipment

Property, plant, and equipment ("PPE") is carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant, and equipment are depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and in the year of acquisition, only one-half of normal rates are used:

Furniture and fixtures	20%
Computer equipment	30%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant, and equipment (continued)

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statement of comprehensive loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

e) 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.

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 transaction 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 assessment 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 for the period.

f) Share capital

i) Common shares

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.

ii) Equity units

Proceeds received on the issuance of units comprised of common shares and warrants are allocated on the residual value method where proceeds are allocated to the common shares up to their fair value as determined by the current quoted trading price of the announcement date, and the balance, if any, to the reserve for the warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Share capital (continued)

iii) Non-monetary consideration

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

g) Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company.

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (a direct employee) or provides services similar to those performed by a direct employee (a consultant). The fair value is measured at grant date and recognized over the period during which the options vest.

The fair value of the options granted to employees 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.

The fair value of share options granted to non-employees is recognized as an expense in the statement of comprehensive loss and is recorded at the fair value of the services received, unless they are related to the issuance of shares. The amount related to the issuance of shares is recorded as a reduction of share capital.

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

h) Rehabilitation provision

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Rehabilitation provision (continued)

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of an exploration and evaluation asset 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 legal or constructive 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 amortization 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 has no material restoration, rehabilitation, and environmental costs as the disturbance to date is minimal.

i) 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.

j) 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 the period end, adjusted for amendments to the tax payable with regards to previous years.

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 nor 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income taxes (continued)

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.

k) Segment reporting

The Company operates in a single reportable segment being the acquisition, exploration, and development of mineral properties.

The Company's mineral property interest in the Jellico Project is located in the United States. The Company has an option to purchase a private mining company located in the United States. All other significant assets are located in Canada.

4. EQUIPMENT

	Furniture and Fixtures	Computer Equipment	Total
Cost			
Balance at October 1, 2010	$ 9,068	$ 22,357	$ 31,425
Additions	-	-	-
Balance at September 30, 2011	9,068	22,357	31,425
Additions	-	-	-
Balance at March 31, 2012	**$ 9,068**	**$ 22,357**	**$ 31,425**
Accumulated Depreciation			
Balance at October 1, 2010	$ 8,425	$ 20,138	$ 28,563
Depreciation for the period	128	666	794
Balance at September 30, 2011	8,553	20,804	29,357
Depreciation for the period	52	234	286
Balance at March 31, 2012	**$ 8,605**	**$ 21,038**	**$ 29,643**
Carrying Amounts			
At October 1, 2010	**$ 643**	**$ 2,219**	**$ 2,862**
At September 30, 2011	**$ 515**	**$ 1,553**	**$ 2,068**
At March 31, 2012	**$ 463**	**$ 1,319**	**$ 1,782**

5. MINERAL INTERESTS

	Athabasca Basin (Canada)	Jellico Project (US)	Total
Balance at October 1, 2010	$ 489,822	$ -	$ 489,822
Acquisition costs		5,777,664	5,777,664
Write-off of property	(489,822)		(489,822)
Balance at September 30, 2011	$ -	$ 5,777,664	$ 5,777,664
Acquisition costs	-	42,156	42,156
Balance at March 31, 2012	**$ -**	**$ 5,819,820**	**$ 5,819,820**

a) Athabasca Basin Property

By agreement dated March 9, 2005, the Company entered into an option agreement to acquire a 100% interest (subject to a 3% smelter royalty) in three mineral prospecting permits totaling approximately 120,000 hectares, located in the Athabasca Basin, Saskatchewan.

Consideration is cash of $100,000 (paid) and 1,000,000 common shares (issued).

By agreement dated August 9, 2006, the Company entered into an option agreement with Triex Minerals Corporation (“Triex”), in which Triex can acquire up to an 80% interest in the Athabasca Basin Properties located in northern Saskatchewan. Triex earned an initial 51% interest in the Property at which time a Joint Venture was formed, by incurring $250,000 in expenditures on the property before December 1, 2006, of which $90,000 may be paid in the form of direct payments to the Company. During the year ended September 30, 2007, Triex paid $80,385 in direct payments to the company and incurred the required amount of expenditures on the property in order to satisfy the First Option.

Triex can earn an additional 9% interest by incurring $1,500,000 before September 1, 2008 (completed), an additional 10% interest by incurring $1,200,000 before April 30, 2010 (completed), and an additional 10% interest by incurring $3,100,000 before April 30, 2013 (completed).

Thelon and Triex formed a 20%-80% joint venture. The Company’s investment in the Joint Venture was recorded at the carrying value of the Athabasca Basin Property.

During the year ended September 30, 2011, management decided not to continue with this project and accordingly wrote off the accumulated costs.

5. MINERAL INTERESTS (continued)

b) Jellico Project

On May 27, 2010, the Company entered into a Letter of Agreement to acquire 100% of the Jellico Coal Property which consists of approximately 6,000 acres of coal mineral and surface rights in Campbell and Clairborne counties in the State of Tennessee.

The Company entered into a Share Purchase Agreement on December 14, 2010, amended on March 16, 2011 and August 8, 2011, to purchase 100% of the issued and outstanding shares of Clear Fork Mining Company who owns 100% of the Jellico Coal property. The purchase price is:

- 7,000,000 common shares (issued);
- US$1,000,000 (paid) on signing;
- US$3,000,000 (US$2,736,374 paid) due December 15, 2011;
- take over debt obligations of the vendor of approximately US$4,800,000 effective December 15, 2011; and
- issue a promissory note to the vendor for US$8,485,000 due in 10 years bearing interest at a rate of 6% per annum, interest paid monthly, with an annual payment starting on or before December 31, 2013 of 10% of the principal upon closing.

A bonus of $50,000 was paid to a company controlled by a director on this transaction.

The Company has received the necessary extensions to complete the purchase of the project whenever the Company is able to do so.

This transaction is subject to finder's fees in accordance with TSX Venture Exchange policy and subject to TSX Venture Exchange approval.

6. OPTION TO PURCHASE

On February 22, 2011, the Company entered into a Letter of Intent (“LOI”) to purchase a 100% interest in a private Tennessee mining company (“Privateco”) for US$35,000,000 plus US$7,000,000 in surety bonds. The Company must pay a non-refundable deposit of US$1,000,000 (paid) within 14 days from the date of signing, with US$41,000,000 due within 120 days (June 20, 2011). The Company may get a 60 day extension by paying an additional US$500,000 non-refundable deposit (paid), prior to the expiration of the 120 day period. The LOI was amended to reflect the balance due 60 days from June 20, 2011, or on August 19, 2011.

The LOI was amended to reflect the purchase price release dates. The total purchase price remained at US$35,000,000 plus US$7,000,000 in surety bonds. A non-refundable deposit of US$1,500,000 has been paid, a further non-refundable deposit of US$500,000 was due on February 15, 2012 to extend the closing date to April 15, 2012 which was not paid, US$22,000,000 was due on closing, the vendor to invest $2,400,000 by way of a private placement in the Company, US$1,000,000 to be paid on the first, second, and third anniversary date of the closing, and US$7,000,000 to be paid over three years based on production along with a production bonus of US$2,400,000 over three years paid to the vendor.

The Company was unable to pay the deposit of $500,000 on February 15, 2012 to extend the closing date. The Company is in default of the agreement, has lost exclusivity to the option, and will now close on a best efforts basis.

This transaction is subject to finder’s fees in accordance with TSX Venture Exchange policy and subject to TSX Venture Exchange approval.

7. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

	Number		Issued Price		Amount
Balance at October 1, 2010	**10,715,973**			**$**	**12,819,147**
Issued for mineral interest	7,033,333	$	0.31		2,168,333
Issued for cash (private placements)	17,246,220	$	0.32		5,550,515
Stock options exercised	557,500	$	0.21		116,750
Warrants exercised	6,516,948	$	0.23		1,473,698
Agents warrants exercised	293,791	$	0.25		73,448
Shares issued for debt	14,666	$	0.45		6,600
Reallocation from warrants	-	$	-		51,355
Reallocation from reserves	-	$	-		84,674
Share issue costs	-	$	-		(702,494)
Balance at September 30, 2011	**42,378,431**			**$**	**21,642,026**
Warrants exercised	450,000	$	0.25		112,500
Agents warrants exercised	12,000	$	0.25		3,000
Reallocation from warrants	-	$	-		2,098
Balance at March 31, 2012	**42,840,431**			**$**	**21,759,624**

Pursuant to a resolution passed by the shareholders, the common shares of Thelon Capital Ltd. commenced trading on the TSX Venture Exchange on February 4, 2010 and the common shares of Thelon Ventures Ltd. were delisted. The Company also consolidated its share capital on a ten old for one new basis. These financial statements reflect this change retrospectively.

7. SHARE CAPITAL (continued)

b) Warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance at October 1, 2010	**4,241,282**	**$**	**0.34**
Warrants granted	17,246,220	$	0.81
Warrants exercised	(6,516,948)	$	0.23
Warrants expired	(10,000)	$	0.25
Balance at September 30, 2011	**14,960,554**	**$**	**0.89**
Warrants exercised	(450,000)	$	0.25
Warrants expired	(658,000)	$	0.30
Balance at March 31, 2012	**13,852,554**	**$**	**0.93**

Expiry Date	Number of Warrants		Exercise Price
October 20, 2012	3,268,332	$	0.35
March 7, 2013	3,612,000		$1.00/$1.25
April 11, 2013	6,972,222		$1.00/$1.25
	13,852,554	**$**	**0.93**

c) Agents warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance at October 1, 2010	**-**	**$**	**-**
Agent warrants granted	1,322,561	$	0.76
Agent warrants exercised	(293,791)	$	0.25
Balance at September 30, 2011	**1,028,770**	**$**	**0.90**
Agent warrants exercised	(12,000)	$	0.25
Balance at March 31, 2012	**1,016,770**	**$**	**0.90**

7. SHARE CAPITAL (continued)

c) Agents warrants outstanding (continued)

Expiry Date	Number of Warrants		Exercise Price
October 20, 2012	275,875	$	0.35
March 7, 2013	252,840		$1.00/$1.25
April 11, 2013	488,055		$1.00/$1.25
	1,016,770	**$**	**0.90**

8. SHARE-BASED PAYMENTS

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers, and employees to acquire common shares. The Company's previous stock option plan was cancelled and the Company has adopted the 2011 Stock Option Incentive Plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will not be less than the fair market value price of the shares on the date of grant of the options (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date). Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors.

The following summarizes the stock options outstanding and exercisable at March 31, 2012:

Grant Date	Expiry Date	Exercise Price		Number of Options Outstanding	Number of Options Exercisable
May 5, 2010	May 5, 2012	$	0.20	622,500	622,500
October 28, 2010	October 28, 2012	$	0.25	995,000	995,000
December 1, 2010	December 1, 2012	$	0.35	200,000	200,000
December 15, 2010	December 15, 2012	$	0.35	300,000	300,000
January 5, 2011	January 5, 2013	$	0.45	220,000	220,000
April 11, 2011	April 11, 2013	$	0.45	500,000	500,000
May 6, 2011	May 6, 2013	$	0.45	125,000	93,750
September 14, 2011	September 14, 2013	$	0.38	200,000	200,000
		$	**0.32**	**3,162,500**	**3,131,250**

8. SHARE-BASED PAYMENTS (continued)

	Number of Options		Weighted Average Exercise Price
Balance at October 1, 2010	**1,075,000**	**$**	**0.20**
Options granted	2,645,000	$	0.34
Options exercised	(557,500)	$	0.21
Balance at September 30, 2011 and March 31, 2012	**3,162,500**	**$**	**0.32**

On May 5, 2010, 1,075,000 stock options were granted to directors and consultants of the Company to acquire 1,075,000 shares of the Company at an exercise price of $0.20 per share for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $166,534 or $0.15 per share, assuming an expected life of two years, a risk-free interest rate of 1.72%, an expected dividend rate of 0.00% and an expected volatility coefficient of 170.00%.

On October 28, 2010, the Company issued 1,100,000 stock options at a price of $0.25 for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $179,863 or $0.16 per option, assuming an expected life of two years, a risk-free interest rate of 1.45%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 158.00%.

On December 1, 2010, the Company issued 200,000 stock options at a price of $0.35 for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $51,254 or $0.26 per option, assuming an expected life of two years, a risk-free interest rate of 1.67%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 155.00%.

On December 15, 2010, the Company issued 300,000 stock options at a price of $0.35 for a period of two years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $114,282 or $0.38 per option, assuming an expected life of two years, a risk-free interest rate of 1.72%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 156.00%.

On January 5, 2011, the Company issued 220,000 stock options at a price of $0.45 for a period of 2 years to investor relations consultants which vest quarterly over 12 months. These options have a fair value on the date of grant, calculated using the Black-Scholes option pricing model, of $70,387 or $0.32 per option, assuming an expected life of two years, a risk-free interest rate of 1.76%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 148.00%.

On April 11, 2011, the Company granted 500,000 stock options at a price of $0.45 for a period of 2 years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $155,920 or $0.31 per option, assuming an expected life of two years, a risk-free interest rate of 1.93%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 143.00%.

On May 6, 2011, the Company granted 125,000 stock options at a price of $0.45 for a period of 2 years to investor relations consultants which vest quarterly over 12 months. These options have a fair value on the date of grant, calculated using the Black-Scholes option pricing model, of $33,331 or $0.27 per option, assuming an expected life of two years, a risk-free interest rate of 1.67%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 141.00%.

8. SHARE-BASED PAYMENTS (continued)

On September 14, 2011, the Company granted 200,000 stock options at a price of $0.38 for a period of 2 years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $36,634 or $0.18 per option, assuming an expected life of two years, a risk-free interest rate of 0.93%, an expected dividend rate of 0.00% and an expected annual volatility coefficient of 90.00%.

9. RELATED PARTY TRANSACTIONS

a) Management transactions

The Company has identified certain directors and senior officers as key management personnel. The following table lists the compensation costs paid to companies owned by key management personnel for the six months ended March 31, 2012 and 2011:

	Six Months Ended March 31, 2012	Six Months Ended March 31, 2011
Bonus	$ -	$ 50,000
Consulting fees	54,000	27,000
Office and administration fees	33,480	30,996
	$ 87,480	$ 107,996

Consulting fees of $36,000 (March 31, 2011 - $27,000) were paid to BUA Capital Management Ltd., a company controlled by the President of the Company, and $18,000 (March 31, 2011 - $Nil) was paid to GRWINC. (formerly Complete Communications Inc.), a company controlled by a director of the Company.

Office and administration fees of $33,480 (March 31, 2011 - $30,996) were paid to BUA Group Holdings Ltd., a company controlled by the President of the Company.

b) Transactions with other related parties

	Six Months Ended March 31, 2012	Six Months Ended March 31, 2011
Director fees	$ 12,000	$ 11,000

10. SEGMENTED INFORMATION

The Company operates in one industry segment, the junior natural resource – exploration industry, and in two geographical segments, Canada and the United States. The significant categories identifiable with these geological areas are as follows:

	Canada	US	Total
Mineral interests	$ 489,822	$ -	$ 489,822
Deposit on option to purchase	-	-	-
Other assets	26,927	-	26,927
Balance at October 1, 2010	$ 516,749	$ -	$ 516,749
Mineral interests	$ -	$ 1,687,294	$ 1,687,294
Deposit on option to purchase	-	5,777,664	5,777,664
Other assets	544,825	-	544,825
Balance at September 30, 2011	$ 544,825	$ 7,464,958	$ 8,009,783
Mineral interests	**$ -**	**$ 5,819,820**	**$ 5,819,820**
Deposit on option to purchase	**-**	**1,725,061**	**1,725,061**
Other assets	**117,199**	**276**	**117,475**
Balance at March 31, 2012	**$ 117,199**	**$ 7,545,157**	**$ 7,662,356**
Loss for the six months ended March 31, 2011	$ (984,260)	$ -	$ (984,260)
Loss for the six months ended March 31, 2012	**$ (343,168)**	**$ -**	**$ (343,168)**

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, amounts receivable, amounts due to/from related parties, and accounts payable and accrued liabilities approximate their carrying values due to the immediate or short-term nature of these instruments.

b) Fair value hierarchy

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).

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The Company's financial assets are not subject to material financial risks.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at March 31, 2012 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs and close its major transaction (see note 5b). The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk consists of two components: 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; and 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.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company is not exposed to interest rate price risk as it does not have any cash and cash equivalents at March 31, 2012 which bear interest.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of 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.

The Company is exposed to foreign currency risk with respect to cash, and accounts payable and accrued liabilities that are denominated in US dollars. The balances to close on a mineral interest and on an option to purchase a private mining company are also denominated in US dollars (see notes 5b and 6).

	March 31, 2012 USD	September 30, 2011 USD	October 1, 2010 USD
Cash	**$ 276**	$ 267	$ -
Accounts payable and accrued liabilities	**$ 93,860**	$ 156,468	$ -

At March 31, 2012, financial instruments were converted at a rate of US$0.991 to $1.00 Canadian.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would not significantly affect its cash position at this time. When the Company closes its two major transactions (see notes 5b and 6), a 5% change in the absolute rate of exchange for US dollars would significantly affect its cash position.

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

12. FIRST TIME ADOPTION OF IFRS

a) Transition to IFRS

The Company's financial statements for the year ending September 30, 2012 are the first annual financial statements that will comply with IFRS and will be prepared as described in Note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS.

IFRS 1 also requires that comparative financial information be provided; as a result, the first date at which the Company has applied IFRS was October 1, 2010 (the "Transition Date"). IFRS provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

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

The accounting policies in Note 3 have been applied in preparing the condensed interim financial statements for the six months ended March 31, 2012, the comparative information for the six months ended March 31, 2011, the condensed statement of financial position as at September 30, 2011, and the preparation of an opening IFRS condensed statement of financial position on the Transition Date of October 1, 2010.

i) Initial elections upon adoption

The guidance for the first time adoption of IFRS is set out in IFRS 1. Under IFRS 1, changes in accounting policies resulting from the adoption of IFRS are applied retrospectively at the Transition Date with all adjustments to the deficit unless certain optional exemptions are applied. The Company has applied the following optional exemptions to its opening statement of financial position at October 1, 2010:

(a) Share-based payments

IFRS 1 does not require first-time adopters to apply IFRS 2, Share-Based Payments, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the Transition Date. The Company has elected not to apply IFRS 2 to awards that vested prior to October 1, 2010.

(b) Estimates

IFRS 1 requires that an entity's estimates under IFRS for the comparative periods must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates for the comparative periods are consistent with its Canadian GAAP estimates for the same date.

b) Changes in accounting policies

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective September 30, 2012, the Company's first annual IFRS reporting date; however, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue, and expenses within its financial statements.

12. FIRST TIME ADOPTION OF IFRS (continued)

b) Changes in accounting policies (continued)

i) Impairment of (non-financial) assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. Canadian GAAP prohibits the reversal of impairment losses.

The Company's accounting policies related to impairment of assets have been changed to reflect these differences. There is no impact on the Company's condensed interim financial statements.

ii) Decommissioning liability (asset retirement obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the Company's condensed interim financial statements.

iii) Share-based payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a separate grant and that an estimate of forfeitures be included in the determination of the expense associated with stock option grants.

The Company's accounting policies related to share-based payments have been changed to reflect these differences. There is no significant impact on the Company's condensed interim financial statements.

c) Reconciliation of Canadian GAAP to IFRS

In preparing its opening IFRS statement of financial position, comparative information for the six months ended March 31, 2011 and financial statements for the year ended September 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 is set out in the table on the following page.

The adoption of IFRS has had no impact in the net cash flows of the Company; accordingly, no reconciliation for the Statements of Cash Flows has been presented.

12. FIRST TIME ADOPTION OF IFRS (continued)

c) Reconciliation of Canadian GAAP to IFRS (continued)

The changes in accounting policies resulting from the Company's adoption of IFRS had no significant impact on financial statements for these comparative periods, other than an increase in the comprehensive loss for the year ended September 30, 2011 and a transfer within equity due to a change in the fair value of options and agent warrants issued:

	Year ended September 30, 2011	Six months ended March 31, 2011
Comprehensive loss per Canadian GAAP	$ 2,381,350	$ 1,015,987
Adjustment on adoption of IFRS	6,468	(31,727)
Comprehensive loss per IFRS	$ 2,387,818	$ 984,260

12. FIRST TIME ADOPTION OF IFRS (continued)

c) Reconciliation of Canadian GAAP to IFRS (continued)

	October 1, 2010			March 31, 2011			September 30, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets									
Current									
Cash	$ 668	$ -	$ 668	$ 658,083	$ -	$ 658,083	$ 428,550	$ -	$ 428,550
Amounts receivable	-	-	-	67,312	-	67,312	1,623	-	1,623
HST receivable	17,883	-	17,883	22,248	-	22,248	15,831	-	15,831
Due from related parties	-	-	-	-	-	-	59,339	-	59,339
Prepaid expenses	5,514	-	5,514	22,222	-	22,222	37,414	-	37,414
	24,065	-	24,065	769,865	-	769,865	542,757	-	542,757
Non-current									
Equipment	2,862	-	2,862	2,465	-	2,465	2,068	-	2,068
Mineral interests	489,822	-	489,822	3,840,020	-	3,840,020	5,777,664	-	5,777,664
Deposit on option to purchase	-	-	-	983,000	-	983,000	1,687,294	-	1,687,294
	$ 516,749	$ -	$ 516,749	$ 5,595,350	$ -	$ 5,595,350	$ 8,009,783	$ -	$ 8,009,783
Liabilities									
Current									
Accounts payable and accrued liabilities	$ 99,610	$ -	$ 99,610	$ 203,423	$ -	$ 203,423	$ 313,914	$ -	$ 313,914
Promissory note payable	34,401	-	34,401	-	-	-	-	-	-
Due to related party	35,411	-	35,411	14,050	-	14,050	38,318	-	38,318
	169,422	-	169,422	217,473	-	217,473	352,232	-	352,232
Shareholders' Equity									
Share capital	12,819,147	-	12,819,147	18,401,938	-	18,401,938	21,642,026	-	21,642,026
Share subscriptions receivable	-	-	-	-	-	-	(60,409)	-	(60,409)
Share subscriptions received	15,000	-	15,000	-	-	-	-	-	-
Reserves	2,329,347	-	2,329,347	2,808,093	(31,727)	2,776,366	3,273,451	6,468	3,279,919
Accumulated deficit	(14,816,167)	-	(14,816,167)	(15,832,154)	31,727	(15,800,427)	(17,197,517)	(6,468)	(17,203,985)
	347,327	-	347,327	5,377,877	-	5,377,877	7,657,551	-	7,657,551
	$ 516,749	$ -	$ 516,749	$ 5,595,350	$ -	$ 5,595,350	$ 8,009,783	$ -	$ 8,009,783

12. FIRST TIME ADOPTION OF IFRS (continued)

d) Notes on reconciliation of Canadian GAAP to IFRS

Under Canadian GAAP, the Company measured share-based payments related to share purchase options and agents warrants at the fair value of the options and agents warrants granted using the Black-Scholes option pricing model and recognized this expense over the vesting period of the underlying options and agents warrants. For the purpose of accounting for share-based payment transactions, an individual is classified as an employee when the individual is consistently represented to be an employee under law. The fair value of the options granted to employees is measured at the date of grant. The fair value of options and agents warrants granted to contractors, consultants, and agents are measured on the date the services are completed. Forfeitures are recognized as they occur.

IFRS 2 requires the Company to measure share-based payments related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options using the graded method; however, for options and agents warrants granted to non-employees, IFRS requires that share-based payments be measured at the fair value of the services received unless the fair value cannot be reliably measured. For the purpose of accounting for share-based payment transactions, an individual is classified as an employee when the individual is an employee for legal or tax purposes (a direct employee) or provides services similar to those performed by a direct employee. This definition of an employee is broader than that previously applied by the Company; accordingly, certain contractors and consultants are classified as employees under IFRS.

No share purchase options were reclassified; however, share purchase options expensed over a vesting period were adjusted under IFRS using the graded method. The fair value of agents warrants were adjusted to reflect the fair value of the services received.