Planet Mining Exploration Inc.

(formerly Planet Exploration Inc.)

Financial Statements

Years Ended March 31, 2012 and 2011

(Expressed in Canadian Dollars)

PLANET MINING EXPLORATION INC.
(formerly Planet Exploration Inc.)
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March 31, 2012 and 2011
(Expressed in Canadian Dollars)

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Chartered Accountants
A Partnership of Incorporated Professionals

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Planet Mining Exploration Inc. (formerly Planet Exploration Inc.)**:**

We have audited the accompanying financial statements of Planet Mining Exploration Inc. (formerly Planet Exploration Inc.), which comprise the statements of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010 and the statements of operations and comprehensive loss, statements of changes in equity and statements of cash flows for the years ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Planet Mining Exploration Inc. (formerly Planet Exploration Inc.) as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

"Cinnamon Jang Willoughby"

Chartered Accountants

Burnaby, BC
July 19, 2012

PLANET MINING EXPLORATION INC.
(formerly Planet Exploration Inc.)
Statements of Financial Position
(Expressed in Canadian Dollars)

	March 31, 2012	March 31, 2011 (Note 14)	April 1, 2010 (Note 14)
ASSETS			
Current assets			
Cash and cash equivalents	**$ 2,733,717**	$ 5,628,154	$ 4,498,886
Investments in equity instruments (Note 4)	**750**	2,850	1,675
Receivables (Note 5)	**609,630**	21,901	11,231
Reclamation bond (Note 7)	**50,000**	-	-
Prepaid expenses (Note 11)	**52,422**	6,638	-
Total current assets	**3,446,519**	5,659,543	4,511,792
Equipment	**-**	-	1,000
Resource properties (Note 6 and 11)	**7,599,395**	5,530,858	5,329,531
Total assets	**$ 11,045,914**	$ 11,190,401	$ 9,842,323
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (Note 8)	**$ 184,090**	$ 146,853	$ 98,013
Total liabilities	**184,090**	146,853	98,013
SHAREHOLDERS' EQUITY			
Capital and reserves			
Share capital (Note 9)	**13,055,279**	12,874,829	11,341,692
Contributed surplus (Note 9)	**1,697,040**	1,488,156	1,184,223
Accumulated other comprehensive loss	**(5,350)**	(3,250)	(4,425)
Deficit	**(3,885,145)**	(3,316,187)	(2,777,180)
Total equity	**10,861,824**	11,043,548	9,744,310
Total liabilities and equity	**$ 11,045,914**	$ 11,190,401	$ 9,842,323

Nature and Continuance of Operations (Note 1)
Subsequent Events (Note 15)

Approved and authorized by the Board of Directors

"Christopher Taylor" Director *"Tony M. Ricci"* Director

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

PLANET MINING EXPLORATION INC.
(formerly Planet Exploration Inc.)
Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Years ended March 31,	
	2012	2011 (Note 14)
Expenses		
Depreciation	**$ -**	$ 1,000
Insurance	**13,513**	-
Management fees (Note 11)	**100,506**	87,335
Office, general and consulting (Note 11)	**174,979**	70,247
Professional fees (Note 11)	**43,717**	52,396
Rent (Note 11)	**24,336**	7,924
Share-based compensation (Note 11)	**169,068**	352,545
Transfer agent and filing fees	**20,977**	5,985
Travel, promotion and shareholder information (Note 11)	**79,597**	8,301
Total expenses	**626,693**	585,733
Other income		
Interest income	**(57,735)**	(46,726)
Net loss for the period	**$ 568,958**	$ 539,007
Deficit, beginning of period	**$ (3,316,187)**	$ (2,777,180)
Deficit, end of period	**$ (3,885,145)**	$ (3,316,187)
Basic and diluted loss per common share	**$ (0.015)**	$ (0.017)
Weighted average number of common shares outstanding	**36,926,403**	31,058,012
Net loss for the period	**$ 568,958**	$ 539,007
Change in fair value on investment in equity instruments		
Unrealized loss (gain) on available-for-sale securities, net of tax	**2,100**	(1,175)
Net comprehensive loss for the period	**$ 571,058**	$ 537,832

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

PLANET MINING EXPLORATION INC.
(formerly Planet Exploration Inc.)
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital			*Accumulated*		
	Number of Shares	*Amount*	*Contributed Surplus*	*Other Comprehensive Loss*	*Deficit*	*Total*
Balance, April 1, 2010 (Note 14)	25,319,190	$ 11,341,692	$ 1,184,223	$ (4,425)	$ (2,777,180)	$ 9,744,310
Shares issued for resource properties	330,000	89,100	-	-		89,100
Stock options exercised	825,000	140,250	-	-	-	140,250
Fair value of stock options exercised	-	80,990	(80,990)	-	-	-
Warrants exercised	150,000	37,500		-	-	37,500
Shares issued for cash	10,000,000	1,200,000	-	-	-	1,200,000
Share issue costs		(14,703)	-	-	-	(14,703)
Share-based compensation	-	-	384,923	-	-	384,923
Unrealized loss on available-for-sale securities	-	-	-	1,175	-	1,175
Net loss for the period	-	-	-	-	(539,007)	(539,007)
Change during the period	11,305,000	1,533,137	303,933	1,175	(539,007)	1,299,238
Balance, March 31, 2011 (Note 14)	36,624,190	$ 12,874,829	$ 1,488,156	(3,250)	$ (3,316,187)	$ 11,043,548
Share-based compensation	-	-	208,884	-	-	208,884
Shares issued for resource property	915,000	180,450	-	-	-	180,450
Unrealized gain on available-for-sale securities, net of tax	-	-	-	(2,100)	-	(2,100)
Net loss for the period	-	-	-	-	(568,958)	(568,958)
Change during the period	915,000	180,450	208,884	(2,100)	(568,958)	(181,724)
Balance, March 31, 2012	37,539,190	$ 13,055,279	$1,697,040	(5,350)	$ (3,885,145)	$ 10,861,824

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

PLANET MINING EXPLORATION INC.
(formerly Planet Exploration Inc.)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years Ended March 31, 2012	2011 (Note 14)
Cash used in operating activities		
Net loss for the period	**$ (568,958)**	$ (539,007)
Items not involving cash:		
Depreciation	**-**	1,000
Interest accrued	**(350)**	-
Share-based compensation	**169,068**	352,545
	(400,240)	(185,462)
Changes in non-cash working capital items:		
Receivables	**(189,149)**	(10,670)
Reclamation bond	**(50,000)**	-
Prepaid expenses	**(53,421)**	(6,638)
Accounts payable and accrued liabilities	**(14,387)**	48,840
Net cash used in operating activities	**(707,197)**	(153,930)
Net cash used in investing activities		
Additions to resource properties	**(2,187,240)**	(79,849)
Cash received from financing activities		
Units issued for cash	**-**	1,200,000
Issue costs	**-**	(14,703)
Options exercised	**-**	177,750
Net cash received from financing activities	**-**	1,363,047
(Decrease) Increase in cash and cash equivalents	**$ (2,894,437)**	$ 1,129,268
Cash and cash equivalents, beginning of period	**$ 5,628,154**	$ 4,498,886
Cash and cash equivalents, end of period	**$ 2,733,717**	$ 5,628,154

Supplementary cash flow information (Note 12)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Planet Mining Exploration Inc. ("the Company") was incorporated in Canada as Planet Exploration Inc. on January 29, 1996 under the Alberta Business Corporations Act. On April 12, 2012, the Company changed its name to Planet Mining Exploration Inc. under the British Columbia Business Corporations Act. The Company's registered office and its principal place of business is located at Suite 302, 750 West Pender Street, Vancouver, BC Canada V6C 2T7.

The Company is in the business of acquiring, exploring and developing gold, copper, silver and other mineral properties, both directly and through joint ventures in Canada. The Company's shares are listed on the TSX Venture Exchange (TSX.V) under the trading symbol "PXI".

To date, the Company has not generated significant revenues from operations and is considered to be an exploration stage company. These financial statements have been prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company are primarily dependent upon its ability to raise exploration financing from equity markets or by selling or optioning its resource properties. Recovery of the capitalized carrying costs shown for mineral properties will likely require the establishment of economically recoverable reserves, the securing of development financing and profitable production.

2. BASIS OF PREPARATION

(a) Statement of compliance

These are the Company's first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB) and Interpretations of the International Financial Reporting Interpretations ("IFRIC") in effect at March 31, 2012, with significant accounting policies as described in Note 3. These financial statements have been prepared in accordance with IAS 1, Presentation of Financial Statements and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1") with a transition date of April 1, 2010. The Company has elected to present the statement of operations and comprehensive loss in a single statement.

The financial statements of the Company for the year ended March 31, 2012 (including comparatives) have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on July 19, 2012. Shortly thereafter, the financial statements are made available to shareholders and others through filing on the System for Electronic Document Analysis and Retrieval ("SEDAR").

2. BASIS OF PREPARATION *(continued)*

(b) First-time Adoption of IFRS

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles ("GAAP") (for the year ended March 31, 2011). The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They have also been applied in preparing an opening IFRS balance sheet at April 1, 2010 for the purposes 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 GAAP to IFRS is explained in Note 14.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are expected to be adopted for the year ending March 31, 2012 and have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at April 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Basis of measurement

These financial statements have been prepared on a historical cost basis, except for financial instruments classified in accordance with measurement standards under IFRS (Note 3(c)). These financial statements have been prepared using IFRS principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

(b) Foreign currencies

The Company's functional and reporting currency for all its operations is the Canadian dollar as this is the currency of the primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the date of the statement of financial position. Non-monetary assets and liabilities are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

The financial results of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency. The presentation currency of the Company is Canadian Dollars. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for the year except for significant individual

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Foreign currencies *(continued)*

transactions which are translated at the rate of exchange in effect at the transaction date. All assets and liabilities, including fair value adjustments and goodwill arising on acquisition, are translated at the rate of exchange ruling at the reporting date. Differences arising on translation from the transition date are recognized as other comprehensive income. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive income. On disposal of part or all of the operations, the proportionate share of the related cumulative gains and losses previously recognized in the comprehensive income are included in determining the profit or loss on disposal of that operation.

(c) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

i) Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired:

- fair value through profit or loss (“FVTPL”);
- held-to-maturity (“HTM”);
- available-for-sale (“AFS”); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. All transactions related to financial instruments are recorded on a trade date basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

i) Financial assets *(continued)*

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Held-to-maturity ("HTM")

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 method. If there is objective evidence that the asset 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 profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale ("AFS")

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or financial assets or financial liabilities at fair value through profit or loss investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized or deemed to be an other than temporary impairment when the cumulated loss is transferred to other income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

i) Financial assets *(continued)*

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.
The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

i) Financial assets *(continued)*

Derecognition of financial assets

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

The Company has classified cash and cash equivalents as FVPTL, investments in equity instruments as available-for-sale, reclamation bond as held-to-maturity, and receivables as loans and receivables.

ii) Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or "other financial liabilities".

Fair value through profit or loss ("FVTPL")

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through statement of comprehensive loss.

Other financial liabilities

This category includes promissory notes, amounts due to related parties, and accounts payable and accrued liabilities, all of which are recognized at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company classified its financial liabilities, which consisted of accounts payable and accrued liabilities, as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

ii) Financial liabilities *(continued)*

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

iii) Share capital

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

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Company's shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

(d) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term investments with a maturity less than 90 days on acquisition that are readily convertible into known amounts of cash.

(e) Short-term deposits

The Company considers short-term deposits to include amounts held in banks and highly liquid investments with maturities of more than 90 days and less than one year on acquisition.

(f) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognized in profit and loss as it accrues, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Equipment

Equipment is recorded at historical cost less accumulated depreciation and impairment charges. Equipment is depreciated on a straight line basis over 5 years.

Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to an item of property and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expenses during the period in which they are incurred. An item of equipment 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 the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and recognized in profit or loss.

(h) Resource properties

Pre-exploration costs

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

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of resource properties are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

Where the Company has entered into option agreements to acquire interests in mineral properties that provide for periodic payments or periodic share issuances, amounts unpaid and unissued are not recorded as liabilities since they are payable and issuable entirely at the Company's option. Option payments are recorded as resource property costs when the payments are made and the share issuances are recorded as resource property costs using the fair market value of the Company's common shares at the date the counterparty's performance is complete or the issuance date, whichever is more determinable.When a project has been established as commercially viable and technically feasible, related development costs are capitalized into development costs on the statement of financial position. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Resource properties *(continued)*

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

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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

(i) Impairment of non-financial assets

At each date of the statement of financial position, the Company's carrying amounts of its assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The 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 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 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 profit of loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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 to an amount that 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) General provisions, contingent liabilities and assets

Provisions are recognized when the Company has present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities arising from present obligations are recognized in the course of the allocation of purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any depreciation.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

Restoration and environmental rehabilitation provision

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. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increase the carrying value of the related assets for that amount. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in the statement of operations.
Discount rates using a pre-tax rate that reflect 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 depreciation 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) General provisions, contingent liabilities and assets *(continued)*

Restoration and environmental rehabilitation provision (continued)

The Company has not incurred any material restoration, rehabilitation and environmental costs to date.

(k) Share capital

The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value on the date of issue.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values as follows: the fair value of the common shares is based on the market close on the date the units are issued and the fair value of the common share purchase warrants is determined using the Black-Scholes option pricing model.

(l) Share-based compensation

The Company has a stock option plan as described in Note 9(c). An individual is classified as an employee, versus a consultant, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Compensation expense attributable to share based awards to employees is measured at the fair value at the date of grant using the Black-Scholes model, and is recognized over the period that the employee becomes unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value, under the Black-Scholes model, takes into account a number of variables, including the exercise price of the award, the expected dividend rate, the expected life of the options, forfeiture rate and the risk free interest rate.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Share-based compensation *(continued)*

fair value of the equity instruments granted, measured at the date the counterparty renders service.

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

(m) Accounting for flow-through shares

The Company finances a significant portion of its exploration activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying resource expenditures to investors. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the following accounting policy.

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the "flow-through commitment") as follows:

- Warrant reserve – if warrants are being issued, based on the valuation derived using the Black-Scholes option-pricing model;
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature; and
- Share capital – the residual balance.

Thereafter, as qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets as explained in Note 3(h).

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time (before or after the end of the reporting period). Additionally, the Company reverses the liability for the flow-through share premium to income, on a proportionate basis, as an offset to deferred tax expense.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Income taxes

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

i) Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

ii) Deferred income tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences:

- liabilities arising from initial recognition of goodwill for which depreciation is not deductible for tax purposes;
- liabilities arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit; and
- liabilities arising from undistributed profits from investments where the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Income taxes *(continued)*

iii) Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(o) Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Currently, the effect of potential issuances of shares under stock options and warrants would be anti-dilutive and accordingly, basic and diluted loss per share are the same.

(p) Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive loss, components of other comprehensive loss, and cumulative translation adjustments are presented in the statements of comprehensive loss and the statements of changes in equity.

(q) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make certain estimates, judgments 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 period. Actual results could differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Significant accounting judgments and estimates *(continued)*

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting 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 receivables which are included in the statements of financial position;
- the carrying value and the recoverability of resource properties, which are included in the statements of financial position;
- the estimated useful lives of equipment which are included in the statements of financial position and the related depreciation included in profit or loss; and
- the inputs used in the accounting for share-based compensation expense included in profit or loss.

(r) Standards, amendments and interpretations not yet effective

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations. Those standards that are expected to be relevant to the Company are detailed below, but, have not been early adopted by the Company as they are not yet effective.

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods:

IAS 1 Presentation of Financial Statements

An amendment to IAS 1 was issued by the IASB in June 2011. The amendment requires separate presentation for items of other comprehensive income that would be reclassified to the statement of income in the future if certain conditions are met, from those that would never be reclassified to the statement of income. The effective date is July 1, 2012, with earlier adoption permitted.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Standards, amendments and interpretations not yet effective *(continued)*

IAS 12 Income Taxes

An amendment to IAS 12 was issued by the IASB in June 2011. The amendment removes subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendments introduce a presumption that entities will assess whether the carrying value of an asset will be recovered through the sale of the asset. These amendments are effective for annual periods beginning on or after January 1, 2012, with earlier adoption permitted.

IAS 32 Financial Instruments: Presentation

IAS 32 was amended by the IASB in December 2011. The amendment clarifies that an entity that has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted.

IFRS 7 Financial Instruments: Disclosures

IFRS 7 was amended by the IASB in December 2011. The amendment contains new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. These new disclosure requirements will enable users of the financial statements to better compare financial statements prepared in accordance with IFRS. IFRS 7 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

IFRS 9 Financial Instruments

IFRS 9 was issued by the IASB in November 2009 and will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that chose

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Standards, amendments and interpretations not yet effective *(continued)*

IFRS 9 Financial Instruments (continued)

to apply IFRS 9 prior to 2012. Alternatively, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

IFRS 13 Fair Value Measurement

IFRS 13 was issued by the IASB in May 2011. This standard clarifies the definition of fair value, required disclosures for fair value measurement, and sets out a single framework for measuring fair value. IFRS 13 provides guidance on fair value in a single standard, replacing the existing guidance on measuring and disclosing fair value which is dispersed among several standards. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

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 financial statements of the Company. These Standards and Interpretations will be first applied in the financial report of the Company that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

4. INVESTMENT IN EQUITY INSTRUMENTS

Investment in equity instruments consist of common shares of a publicly traded company, and therefore has no fixed maturity date or coupon rate. The fair value of the listed investment has been determined directly by reference to published price quotations in an active market. During the period the Company recorded a decrease in fair value of the investment in the amount of $2,100 (2011 - $1,175 increase) in other comprehensive loss.

As at March 31, 2012, the cost of investment in equity instruments amounts to $6,100 (2011 - $6,100).

5. RECEIVABLES

The Company's receivables relates to Harmonized Sales Tax (HST) receivable and Mineral Exploration Tax Credit due from Canadian government taxation authorities, interest receivable and advances to a director and an officer of the Company. The receivables balance is broken down as follows:

	March 31, 2012	*March 31, 2011*	*April 1, 2010*
HST recoverable	**$ 202,999**	$ 13,653	$ 11,231
Mineral Exploration Tax Credit receivable	**390,593**	-	-
Interest receivable	**350**	-	-
Other receivable (Note 11)	**7,440**	-	-
Advances (Note 11)	**8,248**	8,248	-
	$ 609,630	$ 21,901	$ 11,231

6. RESOURCE PROPERTIES

	Red Lake (Sidace Lake) Property	***Golden Loon Property***	***Total***
Balance, April 1, 2010(Note14)	$ 5,329,531	$ -	$ 5,329,531
Acquisition costs	-	155,487	155,487
Exploration costs	-	45,840	45,840
Change during the period	-	201,327	201,327
Balance, March 31, 2011	5,329,531	201,327	5,530,858
Acquisition costs	-	443,136	443,136
Exploration advance	-	100,000	100,000
Exploration costs	-	1,915,994	1,915,994
Mineral Exploration Tax Credit	-	(390,593)	(390,593)
Change during the period	-	2,068,537	2,068,537
Balance, March 31, 2012	$ 5,329,531	$ 2,269,864	$ 7,599,395

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

6. RESOURCE PROPERTIES *(continued)*

Golden Loon, British Columbia

On February 15, 2011, the Company signed an option agreement with Tilava Mining Corporation, a private company, to acquire an initial 70% interest, which can be increased to 100%, in Tilava's Golden Loon gold and copper project located 80 kilometres north of Kamloops, British Columbia. Pursuant to the terms of the option agreement, the Company must:

(a) pay in the aggregate $500,000 to Tilava Mining Corporation as follows:

- (i) $10,000 upon signing of the agreement (paid);
- (ii) $90,000 upon approval by TSX Venture Exchange (paid);
- (iii) $200,000 on or before February 1, 2012 (paid);
- (iv) $200,000 on or before February 1, 2013;

(b) issue in aggregate 2,000,000 common shares as follows:

- (i) 600,000 common shares upon approval by TSX Venture Exchange (issued);
- (ii) 600,000 common shares upon earlier of incurring $750,000 in exploration expenditures and receiving an engineering report which recommends further work (“Stage I”) or February 1, 2012 (issued);
- (iii) 800,000 common shares upon earlier of incurring an aggregate of $2,250,000 in exploration expenditures and receiving an engineering report which recommends further work (“Stage II”) or February 1, 2013;

(c) incur exploration expenditures of not less than $4,500,000 as follows:

- (i) $750,000 before February 1, 2012 (completion of Stage I) (incurred);
- (ii) an additional $1,500,000 before February 1, 2013 (completion of Stage II) for an aggregate of $2,250,000;
- (iii) an additional $2,250,000 before February 1, 2014 (completion of Stage III).

The Company can purchase a 100% interest (“Additional Option”) in the Golden Loon property by paying $375,000 and issuing that number of common shares with a deemed value of $1,000,000. The deemed value of the Company’s common shares for the purpose of exercising the Additional Option shall be the mean closing price for the Company’s common shares on the Exchange for the preceeding 20 trading days. The Company, at its option, may elect to pay, after satisfying the minimum cash payment of $375,000, the remaining $1,000,000 in cash or any combination of cash and common shares.

A finders’ fee was paid on the project in accordance with TSX rules.

6. RESOURCE PROPERTIES *(continued)*

Red Lake, Ontario, Canada

The Company currently owns a 40% (March 31, 2011 – 40%) interest in the Red Lake, Ontario mineral property claims. The remainder 60% is held by affiliates of Goldcorp Inc.

Ownership in mineral properties involves certain inherent risks due to the difficulties in determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its properties is in good standing.

7. RECLAMATION BOND

The Company designated the reclamation bond as held-to-maturity financial asset which is measured at amortized cost using the effective interest method. Any changes to the carrying amount of the reclamation bond, including impairment losses, are recognized in the profit or loss.

The reclamation bond is a guaranteed investment certificate held in a financial institution as security for reclamation obligations pursuant to the *Mines Act* and Health, Safety and Reclamation Code for Mines in British Columbia. The investment bears the variable interest rate of prime less 2.25% per annum, matures April 27, 2012 and is restricted for general use. The reclamation bonds relate to the Golden Loon resource property.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	March 31, 2012	*March 31, 2011*	*April 1, 2010*
Accounts payable to third parties	**$ 133,654**	$ 85,680	$ 71,963
Accounts payable to related parties (Note 11)	**29,280**	13,773	-
Accrued liabilities	**21,156**	47,400	26,050
	$ 184,090	$ 146,853	$ 98,013

9. SHARE CAPITAL

a) Common shares

The Company is authorized to issue an unlimited number of common voting shares without par value, first preferred shares, and second preferred shares. The holder of common shares is entitled to receive any dividend declared by the Company on such shares.

9. SHARE CAPITAL *(continued)*

a) Common shares *(continued)*

Issued During the Year Ended March 31, 2012:

On August 30, 2011, upon the TSX Venture approval, pursuant to the Tilava mineral property agreement, the Company issued 300,000 common shares at a deemed price of $0.23.

On August 30, 2011, pursuant to the Tilava mineral property finders' agreement the Company issued 15,000 common shares at a deemed price of $0.23.

On January 19, 2012, pursuant to the Tilava mineral property agreement the Company issued 600,000 common shares at a deemed price of $0.18.

Issued During the Year ended March 31, 2011:

On September 17, 2010, the Company closed a non-brokered private placement consisting of 10,000,000 Units of the Company, at $0.12 per Unit, for gross proceeds of $1,200,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at any time until September 17, 2012 at an exercise price of $0.25 per share. Of the $1,200,000 consideration received, $874,100 has been attributed to common shares and $325,900 has been attributed to share purchase warrants. The Company paid a total of $14,703 in issue costs.

On September 24, 2010, the Company issued 200,000 common shares at $0.17 per share for total gross proceeds of $34,000 for the exercise of stock options.

On November 1, 2010, the Company issued 200,000 common shares at $0.17 per share for total gross proceeds of $34,000 for the exercise of stock options.

On December 2, 2010, the Company issued 400,000 common shares at $0.17 per share for total gross proceeds of $68,000 for the exercise of stock options.

On March 2, 2011, the Company issued 150,000 common shares at $0.25 per share for total gross proceeds of $37,500 for the exercise of warrants.

On March 11, 2011, the Company issued 25,000 common shares at $0.17 per share for total gross proceeds of $4,250 for the exercise of stock options.

On March 17, 2011, the Company issued 300,000 common shares at a deemed price of $0.27 per share for acquisition of a resource property.

On March 17, 2011, the Company issued 30,000 common shares at a deemed price of $0.27 per share for finders` fees related to the acquisition of a resource property.

9. SHARE CAPITAL *(continued)*

b) Preferred shares

The Company is authorized to issue an unlimited number of first preferred shares and second preferred shares issuable in series with the issue price to be fixed by the directors. The holders of first preferred shares are entitled to preference over the common shares and the second preferred shares with respect to payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Company.

The Company did not issue any preferred shares.

c) Stock options

The Company has a stock option plan whereby the Company may grant options to its directors, officers, employees and consultants for up to 10% of the outstanding common shares from time to time with vesting rights determined at each grant date. The exercise price of each option equals the market price of the Company's stock on the date of the grant (less any permitted discount, if any) and an option's maximum term is five years.

During the year ended March 31, 2012, the Company recognized share-based compensation of $208,884 (2011 - $384,923) in contributed surplus, which will be applied to share capital upon exercise. Of this amount, $39,816 (2011 - $32,378) was capitalized to resource properties and $169,068 (2011 - $352,545) was expensed during the period. The weighted average fair value of the options granted during the year ended March 31, 2012, was $0.13 per option (2011 - $0.21).

The fair value of stock options granted during the year ended March 31, 2012 is determined using the Black-Scholes Option Pricing Model with assumptions as follows:

	2012	2011
Weighted average risk-free interest rate	**1.54%**	2.28%
Weighted average estimated volatility	**90%**	73%
Weighted average expected life	**3.6 years**	5 years
Weighted average expected dividend yield	**0%**	0%

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility which was estimated based on historical volatility of the Company's publicly-traded shares. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

9. SHARE CAPITAL *(continued)*

c) Stock options *(continued)*

No options were exercised during the year ended March 31, 2012.

	March 31, 2012		*March 31, 2011*		*April 1, 2010*	
	Number of Options	***Weighted Average Exercise Price***	*Number of Options*	*Weighted Average Exercise Price*	*Number of Options*	*Weighted Average Exercise Price*
Balance, beginning of period	**2,177,500**	**$ 0.31**	2,307,500	$ 0.27	2,327,500	$ 0.27
Cancelled	**(900,000)**	**0.33**	(935,000)	0.37	-	-
Granted	**1,745,000**	**0.23**	1,800,000	0.34	-	
Exercised	**-**	**-**	(825,000)	0.17	-	-
Expired	**(7,500)**	**0.40**	(170,000)	0.36	(20,000)	$ 0.56
Balance, end of period	**3,015,000**	**$ 0.26**	2,177,500	$ 0.31	2,307,500	$ 0.27
Exercisable, end of period	**2,715,000**	**$ 0.27**	2,002,500	$ 0.32	1,995,000	$ 0.28

As of March 31, 2012, the following stock options were outstanding and exercisable:

Number of Options Outstanding	***Exercise Price***	***Expiry Date***	***Number of Options Exercisable***
370,000	$ 0.17	December 18, 2013	282,500
1,050,000	$ 0.34	November 11, 2015	1,050,000
250,000	$ 0.35	March 31, 2016	250,000
1,020,000	$ 0.20	October 13, 2016	1,020,000
125,000	$ 0.22	November 3, 2016	62,500
200,000	$ 0.20	January 3, 2014	50,000
3,015,000			2,715,000

9. SHARE CAPITAL *(continued)*

d) Share purchase warrants

Warrant transactions are summarized as follows:

	March 31 2012		*March 31 2011*	
	Number of Warrants	***Weighted Average Exercise Price***	*Number of Warrants*	*Weighted Average Exercise Price*
Balance, beginning of period	**9,850,000**	**$ 0.25**	-	$ -
Issued in private placement	**-**	**-**	10,000,000	0.25
Exercised	**-**	**-**	(150,000)	0.25
Balance, end of period	**9,850,000**	**$ 0.25**	9,850,000	$ 0.25

No warrants were outstanding as at April 1, 2010.

The proceeds from the units issued in private placement during the year ended March 31, 2011 (Note 9(a)) were allocated between common shares and common share purchase warrants recorded in share capital on a pro-rata basis based on relative fair values of the shares of $0.22 and purchase warrants of $0.09. The fair value of purchase warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield - 0.00%; expected stock price volatility - 78%; risk-free interest rate - 1.47%; expected life - 2 years. The weighted average value of purchase warrants issued during the year ended March 31, 2011 was $0.03 per warrant.

Each purchase warrant is exercisable for one common share. The following table summarizes information about warrants outstanding and exercisable at March 31, 2012:

Exercise Price	***Expiry Date***	***Warrants Outstanding***	***Weighted Average Remaining Contracted Life (Years)***
$ 0.25	September 17, 2012	9,850,000	0.47

10. INCOME TAXES

The income tax provision differs from the amount that would be computed by applying the weighted average basic combined Canadian federal and provincial statutory income tax rate to the statement of net loss for the year.

The reconciliation of income tax benefit computed at statutory rates to the reported income tax benefit is as follows:

		2012	2011
Loss before income taxes	$	**568,958**	539,007
Corporate tax rate		**26.13%**	28.00%
Income tax benefit computed at Canadian statutory rates	$	**148,640**	150,922
Non-deductible share-based compensation		**(44,169)**	(98,713)
Other		**(569)**	1,017
Change in tax rate		**(1,852)**	1,227
Change in unrecognized deferred income tax assets		**(102,050)**	(54,453)
	$	**-**	-

Significant components of the Company's unrecognized deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

		2012	2011
Non-capital losses	$	**416,282**	315,794
Resource properties		**(229,319)**	(231,618)
Undeducted share issue costs		**2,205**	2,941
		189,168	87,117
Unrecognized deferred income tax assets		**(189,168)**	(87,117)
	$	**-**	-

At March 31, 2012 the Company had the following accumulated non-capital losses available for utilization in future years. These losses expire on the following dates:

March 31, 2026	$	34,280
March 31, 2028		204,628
March 31, 2029		399,530
March 31, 2030		409,518
March 31, 2031		215,219
March 31, 2032		401,952
	$	1,665,127

11. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2012, the Company incurred $188,925 (2011 - $Nil) in geological services which were capitalized to resource properties, $140,870 (2011 - $12,600) in office, general and consulting expenses, $328 (2011 - $Nil) in professional fees, $55,006 (2011 - $Nil) in management fees and $26,917 (2011 - $2,625) in travel, promotion and shareholder information from a company in which an officer and a director of the Company is an employee. A total of $24,078 (2011 - $3,853) was payable to this company as at March 31, 2012. These expenses were charged to the Company at cost without markup.

During the year ended March 31, 2012, the Company incurred $45,500 (2011 - $24,500) in management fees from a company controlled by a director and officer of the Company. A total of $5,040 was payable with respect to these fees as at March 31, 2012 (2011 - $3,920). Share-based compensation to this director and officer amounted to $37,920 (2011 - $51,525).

During the year ended March 31, 2012, the Company paid a total of $52,596 (2011 - $Nil) for rent to companies with directors in common. The Company expensed $24,336 (2011 - $Nil) of this amount as rental expense during the current period, $22,260 (2011 - $Nil) representing rental fees for 7 months and office security deposit that are included in prepaid expenditures, and $6,000 (2011 - $Nil) was paid to settle a prior period payable.

During the year ended March 31, 2012, the Company incurred $nil (2011 - $60,000) in management fees from an officer and directors of the Company. There was no payable with respect to these fees as at March 31, 2012 and 2011. Share-based compensation to these directors and officer amounted to $16,930 (2011 - $61,389).

During the year ended March 31, 2012, the Company incurred $nil (2011 - $20,000) in consulting fees from a director of the Company. There was no payable with respect to these fees as at March 31, 2012 and 2011.

Share-based compensation to a director and officer amounted to $12,640 (2011 - $103,050). Receivable from this director and officer of the Company amounts to $8,248 (2011 - $8,248) as at March 31, 2012. Included in accounts payable relating to this director and officer amounts to $162 (2011 - $Nil) as at March 31, 2012.

During the year ended March 31, 2012 the Company advanced funds to a company in which an officer and a director of the Company is an employee for using office equipment. As at March 31, 2012, $7,440 (2011 - $Nil) of this advance is outstanding.

These related party transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Cash	**$ 2,733,717**	$ 5,628,154	$ 198,582
Term deposit	-	-	4,300,304
Total cash and cash equivalents	**$ 2,733,717**	$ 5,628,154	$ 4,498,886

The significant non-cash financing and investing transactions during the period are as follows:

	March 31, 2012	March 31, 2011
Common shares issued to acquire resource properties	**$ 180,450**	$ 89,100
Capitalized exploration expenditures included in accounts payable	**$ 140,205**	$ 88,581
Capitalized exploration expenditures included in accounts receivable	**$ (390,593)**	$ -
Capitalized share-based compensation included in resource properties	**$ 39,816**	$ 32,378
Increase in fair value of investments in equity instruments	**$ 2,100**	$ 1,175

Other cash flow information:

	March 31, 2012	March 31, 2011
Interest received	**$ 57,385**	$ 46,726
Interest paid	**$ -**	$ -
Income taxes paid	**$ -**	$ -

Restricted cash of $50,000 (2011 - $Nil) relates to guaranteed investment certificates held at a Canadian financial institution as reclamation bond for Golden Loon resource property (see Note 7).

13. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

a) Capital Management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

13. FINANCIAL AND CAPITAL RISK MANAGEMENT *(continued)*

a) Capital Management *(continued)*

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, the sale of assets, debt, or return of capital to shareholders. As at March 31, 2012, the Company does not have any debt, other than accounts payable and accrued liabilities, and is not subject to externally imposed capital requirements.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash and cash equivalents are invested in business accounts with quality financial institutions, are available on demand for the Company's programs, and are not invested in any asset backed commercial paper. All of the Company’s financial liabilities have a maturity of less than one year.

c) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents, and other assets with high-credit quality financial institutions.

The majority of the Company's cash and cash equivalents are held with major Canadian based financial institutions. The Company views the credit risk associated with receivables as minimal as the balance primarily consists of HST recoverable and Mineral Exploration Tax Credit receivable from Government of Canada.

d) Currency Risk

The Company’s functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company does not have any exposure to any highly inflationary foreign currencies.

13. FINANCIAL AND CAPITAL RISK MANAGEMENT (*continued)*

e) Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents and reclamation bond. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in reclamation bond as they are generally held with large financial institutions.

f) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors commodity prices to determine appropriate actions to be undertaken.

The estimated fair value of financial assets is equal to their carrying values due to the short-term nature of these instruments.

g) Fair-value hierarchy

Financial instruments measured in fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

The fair value of cash and cash equivalents and investments in equity instruments are measured based on level 1 of the fair value hierarchy.

14. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies in Note 3 have been applied in the financial statements for the year ended March 31, 2012 and 2011 and the opening IFRS statement of financial position on the transition date, April 1, 2010.

In preparing the opening IFRS statement of financial position and the financial statements for the year ended March 31, 2012, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from

14. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

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 first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company has elected to take the following IFRS1 optional exemptions:

a) Business combinations

IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the transition date. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date and such business combinations have not been restated.

b) Leases

IFRS 1 allows an exemption for first-time adopters to determine whether an arrangement existing at the IFRS transition date contains a lease on the basis of facts and circumstances existing at the transition date, instead of the inception of the agreements. The Company has elected to use this exemption.

c) Cumulative translation differences

IFRS 1 allows an exemption for first-time adopters to deem cumulative translation differences to be $nil for foreign operations at the date of transition to IFRS. The Company has elected to use this exemption.

d) Share-based payments

IFRS 2, Share-based Payments, encourages application of its provision to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by transition date. The Company has elected to take the exemption available under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the transition date.

14. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

The following IFRS 1 mandatory exceptions applied to the Company:

a) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. IFRS employs a conceptual framework that is similar to Canadian GAAP. The Company's IFRS estimates as of April 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Changes to according policies resulting from the conversion to IFRS

The Company has changed certain accounting policies to be consistent with IFRS as effective on March 31, 2012, the Company's first annual IFRS reporting date. The impact of the changes to accounting policies on the recognition and measurement of assets, liabilities, equity, revenue and expenses within the Company's financial statements are presentated below.

The following summarized the significant changes to the Company's accounting policies on adoption of IFRS.

a) Impairment of non-financial assets

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

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. The Company has tested the Company's non-financial assets for impairment at the transition date (April 1, 2010) and concluded that no impairment existed on that date.

b) Decommissioning liabilities (asset retirement obligations)

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

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. This change had no impact on these financial statements.

14. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(i) Reconciliation of statement of financial position as at April 1, 2010 (transition date)

The reconciliation between the Canadian GAAP and the IFRS statement of financial position as at April 1, 2010 (transition date to IFRS) is provided below:

	GAAP	*Effect of transition to IFRS*	*Notes*	*IFRS*
ASSETS				
Current assets				
Cash and cash equivalents	$ 4,498,886	$ -		$ 4,498,886
Investments in equity instruments	1,675	-		1,675
Receivables	11,231	-		11,231
	4,511,792	-		4,511,792
Equipment	1,000	-		1,000
Resource properties	6,361,641	(1,032,110)	14(v)3	5,329,531
Total assets	$ 10,874,433	$ (1,032,110)		$ 9,842,323
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$ 98,013	$ -		$ 98,013
Deferred income taxes	487,524	(487,524)	14(v)3	-
Total liabilities	585,537	(487,524)		98,013
EQUITY				
Share capital	11,341,692	-		11,341,692
Contributed surplus	1,169,375	14,848	14(v)1	1,184,223
Accumulated other comprehensive loss	-	(4,425)	14(v)2	(4,425)
Deficit	(2,222,171)	(555,009)	14(v)1-3	(2,777,180)
Total equity	10,288,896	(544,586)		9,744,310
Total liabilities and equity	$ 10,874,433	$ (1,032,110)		$ 9,842,323

14. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(ii) Reconciliation of statement of financial position as at March 31, 2011

The reconciliation between the Canadian GAAP and the IFRS statement of financial position as at March 31, 2011 is provided below:

	GAAP	*Effect of transition to IFRS*	*Notes*	*IFRS*
ASSETS				
Current assets				
Cash and cash equivalents	$ 5,628,154	$ -		$ 5,628,154
Investments in equity instruments	2,850	-		2,850
Receivables	21,901	-		21,901
Prepaid expenses	6,638	-		6,638
	5,659,543	-		5,659,543
Resource properties	6,562,968	(1,032,110)	14(v)3	5,530,858
Total assets	$ 12,222,511	$ (1,032,110)		$ 11,190,401
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$ 146,853	$ -		$ 146,853
Deferred income taxes	487,524	(487,524)	14(v)3	-
Total liabilities	634,377	(487,524)		146,853
EQUITY				
Share capital	12,874,829	-		12,874,829
Contributed surplus	1,479,303	8,853	14(v)1	1,488,156
Accumulated other comprehensive income	-	(3,250)	14(v)2	(3,250)
Deficit	(2,765,998)	(550,189)	14(v)1-3	(3,316,187)
Total equity	11,588,134	(544,586)		11,043,548
Total liabilities and equity	$ 12,222,511	$ (1,032,110)		$ 11,190,401

14. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(iii) Reconciliation of statement of operations and comprehensive loss for the year ended March 31, 2011

The reconciliation between the Canadian GAAP and the IFRS statement of operations and comprehensive loss for the year ended March 31, 2011 is provided below:

	GAAP	*Effect of transition to IFRS*	*Notes*	*IFRS*
Expenses				
Depreciation	$ 1,000	$ -		$ 1,000
Insurance	-	-		-
Management fees	87,335	-		87,335
Office, general and consulting	70,247	-		70,247
Professional fees	52,396	-		52,396
Rent	7,924	-		7,924
Share-based compensation	358,540	(5,995)	14(v)1	352,545
Transfer agent and filing fees	5,985	-		5,985
Travel, promotion and shareholder information	8,301	-		8,301
Total expenses	591,728	(5,995)		585,733
Other income				
Interest income	46,726	-		46,726
Gain on held-for-trading securities	1,175	(1,175)	14(v)2	-
Net loss for the period	$ 543,827	$ (4,820)		$ 539,007
Deficit, beginning of period	(2,222,171)	(555,009)	14(v)1-3	(2,777,180)
Deficit, end of period	(2,765,998)	(550,189)		(3,316,187)
Basic and diluted loss per common share	$ (0.018)			$ (0.017)
Weighted average number of common shares outstanding	31,058,012			31,058,012
Net loss for the period	$ 543,827	$ (4,820)	14(v)1-2	$ 539,007
Change in fair value on investment in equity instruments				
Unrealized gain on available-for-sale securities, net of tax	-	(1,175)	14(v)2	(1,175)
Net comprehensive loss for the period	$ 543,827	$ (5,995)		$ 537,832

14. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(iv) Reconciliation of statement of cash flows for the year ended March 31, 2011

The reconciliation between the Canadian GAAP and the IFRS statement of cash flows for the year ended March 31, 2011 is provided below:

	GAAP	*Effect of transition to IFRS*	*Notes*	*IFRS*
Cash used in operating activities				
Net loss for the period	$ (543,827)	$ 4,820	14(v)1-2	$ (539,007)
Items not involving cash:				
Depreciation	1,000	-		1,000
Unrealized gain on held-for-trading securities	(1,175)	1,175	14(v)2	-
Share-based compensation	358,540	(5,995)	14(v)1	352,545
	(185,462)	-		(185,462)
Changes in non-cash working capital items:				
Receivables	(10,670)	-		(10,670)
Prepaid expenses	(6,638)	-		(6,638)
Accounts payable and accrued liabilities	48,840	-		48,840
Net cash used in operating activities	(153,930)	-		(153,930)
Cash used in investing activities				
Additions to resource properties	(79,849)	-		(79,849)
Cash received from financing activities				
Units issued for cash	1,200,000	-		1,200,000
Share issue costs	(14,703)	-		(14,403)
Options exercised	177,750	-		177,750
Net cash received from financing activities	1,363,047	-		1,363,047
Increase in cash and cash equivalents	1,129,268	-		1,129,268
Cash and cash equivalents, beginning of period	4,498,886	-		4,498,886
Cash and cash equivalents, end of period	$5,628,154	$ -		$5,628,154

14. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(v) Notes to the reconciliation

1. Share-based payments

Pre-changeover Canadian GAAP allows the Company to calculate the fair value of equity instruments with graded vesting and recognize the compensation costs from the date of grant over the vesting period using the straight-line basis. The Company determines the fair value of stock options granted using the Black-Scholes option pricing model.

IFRS 2 requires each tranche in an award with graded vesting features to be treated as a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Further, pre-changeover Canadian GAAP allows the Company to recognize compensation costs as if all instruments granted that are subject only to a service requirement are expected to vest. The effect of actual forfeitures would then be recognized as they occur.

IFRS 2 requires the Company to recognize compensation costs over the vesting period based on the best available estimate of the number of equity instruments expected to vest. On the vesting date, the estimate is revised to equal the number of equity instruments that ultimately vested.

As a result of the above differences, contributed surplus was increased by $14,848 at April 1, 2010 (March 31, 2011 - $8,853) and deficit was increased by a corresponding amount.

2. Financial instruments

Under pre-changeover Canadian GAAP, the Company has classified its investments in equity instruments as held-for-trading financial assets and the unrealized gain or loss were recognized in net income or loss in the period in which they arise.

The IFRS exemption allows a first time adopter at the date of transition to designate a financial asset on initial recognition as available-for-sale or fair value through profit and loss if certain conditions are met at the date of transition. Under IFRS, a financial asset or liability may be designated as fair value through profit and loss only when permitted by IAS 39 paragraph 11A or when doing so results in more relevant information because either: i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in IAS 24 Related Party Disclosures), for example the entity's Board of Directors and Chief Executive Officer.

14. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(v) Notes to the reconciliation (*continued)*

2. Financial Instruments (continued)

At the date of transition, the Company has elected to designate the investments in equity instruments as available-for-sale as the investments in equity instruments do not meet the criteria to be designated as fair value through profit or loss.

As a result of the revision of the designation of the investments in equity instruments, accumulated other comprehensive income or loss was decreased by $4,425 at April 1, 2010 (March 31, 2011 - $3,250) and deficit was decreased by a corresponding amount.

3. Deferred tax liabilities

Under pre-changeover Canadian GAAP, when an asset is acquired other than in a business combination and the tax basis of that asset is less than its cost, the cost of future income taxes recognized at the time of acquisition is added to the cost of the asset. When an asset is acquired other than in a business combination and the tax basis of that asset is greater than its cost, the benefit related to future income taxes recognized at the time of the acquisition is deducted from the cost of the asset. The Company has acquired interest in a resource property in which its tax basis of the asset is less than its cost.

IAS 12 requires a deferred tax liability to be recognized in respect of all taxable temporary differences except those arising from a) the initial recognition of goodwill; or b) the initial recognition of an asset or liability in a transaction which is not i) a business combination; or ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A temporary difference may arise on initial recognition of an asset or liability. The method of accounting for such a temporary difference depends on the nature of the transaction that led to the initial recognition of the asset or liability:

(a) If the temporary difference arises as the results of a business combination, deferred tax is recognized on the temporary difference with a corresponding adjustment to goodwill or any bargain purchase gain.

(b) If the temporary difference arises in a transaction that give rise to an accounting or taxable profit or loss, deferred tax is recognized on the temporary difference.

(c) If the temporary difference arises in any other circumstances (i.e. not in a business combination or in a transaction that gives rise to an accounting or taxable profit or loss), no deferred tax is recognized.

14. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(v) Notes to the reconciliation (*continued)*

3. Deferred tax liabilities (continued)

It was determined that there should not be deferred tax liability recognized as the temporary difference arises from the mineral property interests the Company acquired were not acquired in a business combination or in a transaction that give rise to an accounting or taxable profit or loss.

As a result of the above differences, deferred income tax liability was decreased by $487,524 at April 1, 2010 (March 31, 2011 - $487,524), resource property cost was decreased by $1,032,110 (March 31, 2011 - $1,032,110) and deficit was increased by $544,586 (March 31, 2011 - $544,586).

15. SUBSEQUENT EVENTS

On April 3, 2012, the Company granted 75,000 stock options to consultants. The stock options vest immediately and are exercisable at $0.25 per option for the period of five years.

On April 12, 2012, the Company changed its name to Planet Mining Exploration Inc. under the British Columbia Business Corporations Act.