

Unaudited Interim Consolidated Financial Statements of



(An Exploration Stage Enterprise)

For the three and six month periods ended March 31, 2012 and 2011



(An Exploration Stage Enterprise)  
March 31, 2012 and 2011

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## MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of McLaren Resources Inc. (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting and IFRS 1 - First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Ivan Buzbuzian" (signed)  
President and C.E.O

"David McDonald" (signed)  
Chief Financial Officer

### NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements for the three and six month periods ended March 31, 2012 and 2011 have not been reviewed by the Company's auditors.



(An Exploration Stage Enterprise)  
**Unaudited Interim Consolidated Balance Sheets**  
**(Expressed in Canadian Dollars)**

<i>As at,</i>	<i>Note</i>	<b>March 31, 2012</b>	<b>September 30, 2011</b>	<b>October 1, 2010</b>
<b>ASSETS</b>			(Note 3)	(Note 3)
Current				
Cash and cash equivalents		\$ 824,735	\$ 428,898	\$ 272,291
Restricted cash	17	-	-	550,000
Marketable securities	8	156,905	185,503	11,954
HST recoverable		16,618	71,161	65,827
Prepaid expenses	10	7,076	7,666	300
		\$ 1,005,334	\$ 693,228	\$ 900,372
Deferred petroleum and natural gas exploration costs		-	-	150,000
Mineral Properties	5	548,786	280,273	-
Royalty Interest	16	1	1	1
Capital assets	11	709	787	1,178
		\$ 1,554,830	\$ 974,289	\$ 1,051,551
<b>LIABILITIES</b>				
Current				
Accounts payable and accrued liabilities	12	\$ 25,756	\$ 36,771	\$ 37,946
Flow-through share liability		29,688	25,777	42,500
Long term liabilities				
Future tax liability		118,385	112,600	56,100
		173,829	175,148	136,546
<b>EQUITY</b>				
Capital stock	14(b)	5,460,546	4,715,321	4,596,746
Warrants	14(c)	92,700	26,925	-
Contributed surplus	15	625,575	622,292	461,045
Deficit		(4,797,820)	(4,565,397)	(4,142,786)
		\$ 1,381,001	\$ 799,141	\$ 915,005
		\$ 1,554,830	\$ 974,289	\$ 1,051,551

*Nature of Operation Going Concern*  
*Commitments and Contractual Obligations*  
*Subsequent Events*  
 On behalf of the Board of Directors on May 15, 2012

*Approved by the board of Directors:*

"Ivan Buzbuzian" (signed)  
 Director

"Michael Meredith" (signed)  
 Director

*The accompanying notes form an integral part of these unaudited financial statements*



(An Exploration Stage Enterprise)

**Unaudited Consolidated Statements of Loss (Income) and Comprehensive Loss (Income)**  
(Expressed in Canadian Dollars)

		Three months		Six months	
For the periods ended March 31,	Note	2012	2011	2012	2011
			(Note 3)		(Note 3)
Consulting fees		\$ 42,712	\$ 22,495	\$ 115,712	\$ 37,690
Management fees	13(a)	52,500	46,500	102,000	94,675
Investors' relations		41,656	22,457	74,664	26,589
Office, general and administrative		21,467	16,425	52,447	39,559
Professional fees	13(c)	27,196	13,279	37,556	23,773
Directors' fees	13(b)	7,500	7,500	15,000	15,000
Share-based payments	14(d)	-	-	3,283	53,164
Amortization		39	98	78	196
Part XII.6 interest		-	566	-	566
Loss before undernoted items		\$ 193,070	129,320	400,740	\$ 291,212
Flow-through share premium recovery		(4,096)	(2,557)	(46,089)	(45,057)
Future income tax (recovery)		5,785	4,815	5,785	(61,185)
Interest and other (income) loss		(112,107)	(24,027)	(128,014)	(199,966)
Loss (income) before income tax		82,652	107,551	232,422	(14,996)
Net loss (income) and comprehensive loss (income) for period / year		\$ 82,652	107,551	232,422	\$ (14,996)
Loss (Income) per share					
Weighted average number of shares - basic and diluted	20	25,094,281	19,833,836	23,468,470	19,833,836
Net loss (income) per share - basic and fully diluted	20	\$ 0.003	0.005	0.010	\$ (0.001)
<b>Other Comprehensive Loss (income)</b>					
Net Loss (Income)		82,652	107,551	232,422	(14,996)
<b>Net comprehensive loss (income)</b>		<b>82,652</b>	<b>107,551</b>	<b>232,422</b>	<b>(14,996)</b>

*The accompanying notes form an integral part of these unaudited financial statements*



(An Exploration Stage Enterprise)  
**Unaudited Interim Consolidated Statement of Changes in Equity**  
**(Expressed in Canadian Dollars)**

	Share Capital		Reserves			
	Number of Shares	Amount	Warrants	Share based Payments	Accumulated deficit	Total
Balance at October 1, 2010	18,944,281	\$ 4,596,746	\$ -	\$ 461,045	\$ (4,086,686)	\$ 971,105
Correction to prior year future tax liability	-	-	-	-	(56,100)	(56,100)
<b>Adjusted Balance at October 1, 2010</b>	18,944,281	4,596,746	-	461,045	(4,142,786)	915,005
Share based payments	-	-	-	53,164	-	53,164
Unrealized gain on investments	-	-	-	64,782	-	64,782
Private placements, net of issue costs	850,000	200,000	-	-	-	200,000
Flow-through share premium	-	(30,000)	-	-	-	(30,000)
Future income taxes from renounced expenditures	-	(66,000)	-	-	-	(66,000)
Net income (loss) for the period	-	-	-	-	122,547	122,547
<b>Adjusted Balance at December 31, 2010</b>	19,794,281	\$ 4,700,746	\$ -	\$ 578,991	\$ (4,020,239)	\$ 1,259,498
Private placements, net of issue costs	1,000,000	-	-	-	-	-
Warrants issued on private placement	-	(26,925)	26,925	-	-	-
Flow-through share premium	-	-	-	-	-	-
Unrealized gain on investments	-	-	-	(64,782)	-	(64,782)
Shares issued for property	200,000	32,000	-	-	-	32,000
Future income taxes from renounced expenditures	-	9,500	-	-	-	9,500
Share based payments	-	-	-	108,083	-	108,083
Net loss for the period	-	-	-	-	(545,158)	(545,158)
<b>Balance at September 30, 2011</b>	20,994,281	\$ 4,715,321	\$ 26,925	\$ 622,292	\$ (4,565,397)	\$ 799,141
Private placements, net of issue costs	4,000,000	850,000	-	-	-	850,000
Warrants issued on private placements	-	(74,344)	74,344	-	-	-
Revaluation of warrants at March 31	-	8,569	(8,569)	-	-	-
Flow-through share premium	-	(50,000)	-	-	-	(50,000)
Share based payments	100,000	11,000	-	3,283	-	14,283
Net loss for the period	-	-	-	-	(232,423)	(232,423)
<b>Balance at March 31, 2012</b>	25,094,281	\$ 5,460,546	\$ 92,700	\$ 625,575	\$ (4,797,820)	\$ 1,381,001

*The accompanying notes form an integral part of these unaudited financial statements*



(An Exploration Stage Enterprise)  
**Unaudited Interim Consolidated Statements of Cash Flows**  
 (Expressed in Canadian Dollars)

Six month period ended March 31,	2012	2011
Net income (loss) for the period	\$ (232,422)	\$ 14,996
Amortization	78	196
Common shares issued for advisory services	11,000	
Share-based compensation	3,283	53,164
Settlement of accounts receivable through receipt of shares		(37,504)
Flow-through share premium recovery	(46,089)	(45,057)
Future income tax (recovery)		(61,185)
<b>Net changes in non-cash working capital balances:</b>		
Decrease (Increase) in marketable securities	28,598	30,567
Decrease (Increase) in HST recoverable	54,543	19,274
Decrease (Increase) in prepaid expenses	590	(3,807)
(Decrease) in accounts payable and accrued liabilities	(11,017)	(24,587)
Increase in Future tax liability	5,785	
Decrease in restricted cash held in trust	-	550,000
<b>Cash flows used in operating activities</b>	<b>(185,651)</b>	<b>496,057</b>
<b>Cash flows from investing activities</b>		
Mineral properties	(268,512)	(187,872)
Proceeds on disposal of mineral property	-	150,000
<b>Cash flows used in investing activities</b>	<b>(268,512)</b>	<b>(37,872)</b>
<b>Cash flows from financing activities</b>		
Issue of common shares	850,000	134,000
Share issue costs		(112,150)
<b>Cash flows provided from financing activities</b>	<b>850,000</b>	<b>21,850</b>
Net (decrease) increase in cash position	395,837	480,034
Cash and cash equivalents, beginning of period	428,898	272,291
<b>Cash and cash equivalents, end of period</b>	<b>\$ 824,735</b>	<b>\$ 752,325</b>

*The accompanying notes form an integral part of these unaudited financial statements*



(An Exploration Stage Enterprise)

Notes to the Unaudited Consolidated Financial Statements

For the three and six month period ended March 31, 2012 and 2011

(Expressed in Canadian dollars)

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

McLaren Resources Inc. (CNSX:MCL) (the "Company") was incorporated on July 13, 1999 under The Business Corporations Act (Ontario). The Company's head office is located at 65 Queen St. W., Suite 520 Toronto, ON, M5H 2M5. The Company was engaged in the acquisition, exploration and development of petroleum and natural gas properties until December of 2010. The Company is currently pursuing gold exploration in Ontario and will continue to source and evaluate gold exploration ventures within Canada.(see Note 5)

As at March 31 2012, the Company had a net loss of \$232,423 (2011 - \$(14,996)), a working capital surplus of \$979,578 (2011 - \$1,051,449). The Company has not yet achieved profitable operations, it has accumulated losses of \$4,797,820 (2011 - \$4,071,690) and expects to incur further losses in the development of its business. Management intends to obtain further financing through the issuance of new equity and entering into joint venture arrangements. While management has been successful in the past, the ultimate outcome of these matters cannot presently be determined because they are contingent on future events. However, the Company's management believes that it will be successful in meeting its business objectives, and that the going concern assumption remains appropriate.

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

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

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

## 2. BASIS OF PRESENTATION AND GOING CONCERN

### 2.1 Statement of compliance

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





**(An Exploration Stage Enterprise)**

**Notes to the Unaudited Consolidated Financial Statements**

**For the three and six month period ended March 31, 2012 and 2011**

**(Expressed in Canadian dollars)**

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## **2. BASIS OF PRESENTATION AND GOING CONCERN (continued)**

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of May 15, 2012, the date the Board of Directors approved the interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements for the year ending September 30, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These are the Company's first IFRS interim consolidated financial statements for part of the period to be covered by the Company's first IFRS consolidated annual financial statements for the year ending September 30, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

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

### **2.2 Basis of presentation**

In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effectively for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

### **2.3 Adoption of new and revised standards and interpretations**

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial years beginning on or after October 1, 2011. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

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.

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Notes to the Unaudited Consolidated Financial Statements

For the three and six month period ended March 31, 2012 and 2011

(Expressed in Canadian dollars)

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## **2. BASIS OF PRESENTATION AND GOING CONCERN (continued)**

### **2.3 Adoption of new and revised standards and interpretations (continued)**

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 'Joint Arrangements' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 'Disclosure of Interests in Other Entities' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 27 'Separate Financial Statements' - as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 'Investments in Associates and Joint Ventures' - as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.
- IAS 1 'Presentation of Financial Statements' - the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassification to profit or loss.
- IAS 19 'Employee Benefits' - a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.

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 consolidated financial statements of the Company.

(An Exploration Stage Enterprise)

Notes to the Unaudited Consolidated Financial Statements

For the three and six month period ended March 31, 2012 and 2011

(Expressed in Canadian dollars)

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### 3. FIRST TIME ADOPTION OF IFRS

The Company has adopted IFRS on October 1, 2011 with a transition date of October 1, 2010. Under IFRS 1 '*First time Adoption of International Financial Reporting Standards*', the IFRS are applied retrospectively at the transaction date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, Business Combinations, prospectively from the transition date;
- to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the transition date; and
- to apply the requirements of IFRS 1, Deemed cost - the Company continues to apply the cost model for its capital assets and mining interests and has not re-measured them to fair value under IFRS. The historical basis under Canadian GAAP has been designated as the deemed cost under IFRS at the transition date,

#### IAS 27 - Consolidated and Separate Financial Statements

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

IAS 16 Property, plant and equipment allows for property, plant and equipment to continue to be carried at cost less depreciation, which is the same as under Canadian GAAP.

#### Mandatory Exception

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 Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of October 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

#### Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial instruments: Recognition and Measurement prospectively from the transition date. As a result any non-derivative financial assets or nonderivative financial liabilities derecognized prior to the transition date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

**(An Exploration Stage Enterprise)**

**Notes to the Unaudited Consolidated Financial Statements**

**For the three and six month period ended March 31, 2012 and 2011**

**(Expressed in Canadian dollars)**

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Changes to accounting policies:

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available for adoption on December 31, 2011, the Company's first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue, and expenses within its interim consolidated financial statements.

The following summarizes the significant changes to the Company's accounting policies upon 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 use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP requires a write-down to estimated value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

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

b) Decommissioning liabilities

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. IFRS also requires that the discount rate used should reflect the risks specific to the decommissioning liability, while Canadian GAAP requires the use of a discount rate that reflects the Company's credit adjusted risk free rate.

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

c) Share-based payments

IFRS 2, Share-based Payments requires each vesting tranche to be valued with unique assumptions, as if it were a separate grant, along with estimates on forfeitures based on historical trends experienced by the Company. Under IFRS, the Company uses an estimate of forfeitures based on historical trends experienced by the Company. Under Canadian GAAP no estimate was used, but rather actual forfeitures were accounted for as they occurred. The changes affected the calculation of the share-based compensation expense.

Expiration of share-based compensation

Canadian GAAP – Under Canadian GAAP, the Company's policy was to leave the value recorded for expired, unexercised stock options to contributed surplus, and to record the value of expired, unexercised warrants to contributed surplus.

IFRS – The Company continues to use its current policy regarding expired share-based compensation whereby amounts recorded for expired, unexercised stock options and warrants are transferred to contributed surplus on expiry. Therefore, there was no significant impact on the transition to IFRS.

**(An Exploration Stage Enterprise)**

**Notes to the Unaudited Consolidated Financial Statements**

**For the three and six month period ended March 31, 2012 and 2011**

**(Expressed in Canadian dollars)**

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d) Warrants

International Accounting Standards 32 ("IAS 32"), pertaining to classification of rights issues was amended to address the accounting for rights issues (rights, options, and warrants) that are denominated in a currency other than the functional currency of the issuer. Prior to the amendment, such rights issues were accounted for as derivative liabilities. The amendment states that, if such rights are issued pro rata to a Company's existing shareholders for a fixed amount of any currency, they should be classified as equity, regardless of the currency in which the exercise price is denominated.

IAS 32 also indicates that a contract that will be settled by the Company (receiving or) delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument. Changes to the fair value of the equity instrument are not recognized in the financial statements.

The Company's accounting policies relating to warrants have been changed to reflect these differences. Since the Company's outstanding warrants have been issued in exchange for a fixed amount of cash (using the functional currency), the warrants have been treated as an equity instrument. There is no impact on the unaudited interim consolidated financial statements.

e) Flow through shares

Under Canadian GAAP, the Company would record the gross proceeds relating to flow-through shares to share capital at the time of issuance. The Company would then record a charge (reduction) to share capital at the time the tax benefits of the flow-through shares were renounced to the subscribers. The charge was calculated by multiplying the amount of the renounced tax benefits (which are equal to the gross proceeds of the flow-through share issuance) by the effective tax rate at the time. The offset would be recorded as a deferred tax liability to reflect the fact that the Company could no longer use the tax attributes for its benefit.

Under IFRS, the proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares, at the date of closing, and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium, and is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded. The difference between the liability and the value of the tax assets renounced is recorded as a deferred tax expense. There is no subsequent reduction in share capital. If the flow-through shares are not issued at a premium, a liability is not established and on renunciation the full value of the tax assets renounced is recorded as a deferred tax expense.



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Notes to the Unaudited Consolidated Financial Statements

For the three and six month period ended March 31, 2012 and 2011

(Expressed in Canadian dollars)

### 3. FIRST TIME ADOPTION OF IFRS (continued)

#### f) Presentation

The presentation in accordance with IFRS differs from the presentation in accordance with Canadian GAAP. Please refer to the interim consolidated statements of financial position and interim consolidated statements of operations, comprehensive loss, and deficit for the impact of the specific IFRS changes noted above.

Below is the Company's Consolidated Statement of Financial Position as at the transition date of October 1, 2010 under IFRS.

#### Reconciliation of assets, liabilities and equity

	As at October 1, 2010			
	GAAP	Effect of Transition to IFRS	IFRS	Notes
<b>Assets</b>				
Current				
Cash and cash equivalents	\$ 272,291	-	\$ 272,291	
Restricted cash held in trust	550,000	-	550,000	
Marketable securities	11,954	-	11,954	
Accounts receivable	65,827	-	65,827	
Prepaid expenses	300	-	300	
	900,372	-	900,372	
Deferred petroleum and natural gas exploration costs	150,000	-	150,000	
Royalty interest	1	-	1	
Fixed assets	1,178	-	1,178	
	\$ 1,051,551	-	\$ 1,051,551	
<b>Liabilities and Equity</b>				
Accounts payable and accrued liabilities	\$ 37,946	-	\$ 37,946	
Future tax liability	56,100	-	56,100	
Flow-through share liability	-	42,500	42,500	( e )
Share capital	4,639,246	(42,500)	4,596,746	( e )
Contributed surplus	461,045	-	461,045	
Deficit	(4,142,786)	-	(4,142,786)	
	\$ 1,051,551	-	\$ 1,051,551	



(An Exploration Stage Enterprise)

Notes to the Unaudited Consolidated Financial Statements

For the three and six month period ended March 31, 2012 and 2011

(Expressed in Canadian dollars)

### 3. FIRST TIME ADOPTION OF IFRS (continued)

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption has resulted in significant changes to the reported financial position, results of operations, and cash flows of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity, net loss and cash flows of the Company from those reported under Canadian GAAP.

#### Reconciliation of assets, liabilities and equity

	As at March 31, 2011			
	GAAP	Effect of Transition to IFRS	IFRS	Notes
Assets				
Current				
Cash and cash equivalents	\$ 752,325	-	\$ 752,325	
Marketable securities	261,822	-	261,822	
Accounts receivable	46,553	-	46,553	
Prepaid expenses	4,107	-	4,107	
	1,064,807	-	1,064,807	
Resource properties	187,872	-	187,872	
Royalty interest	1	-	1	
Fixed assets	983	-	983	
	\$ 1,253,663	-	\$ 1,253,663	
Liabilities and equity				
Accounts payable and accrued liabilities	13,358	-	13,358	
Flow-through share liability	-	27,443	27,443	(e)
Future tax liability	-	4,815	4,815	
Share capital	4,773,246	(72,500)	4,700,746	(e)
Contributed surplus	578,991	-	578,991	
Deficit	(4,111,932)	40,242	(4,071,690)	(e)
	\$ 1,253,663	-	\$ 1,253,663	



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Notes to the Unaudited Consolidated Financial Statements

For the three and six month period ended March 31, 2012 and 2011

(Expressed in Canadian dollars)

### 3. FIRST TIME ADOPTION OF IFRS (continued)

#### Reconciliation of assets, liabilities and equity

	As at September 30, 2011			
	GAAP	Effect of Transition to IFRS	IFRS	Notes
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents	\$ 428,898	-	\$ 428,898	
Restricted cash held in trust	-	-	-	
Marketable securities	185,503	-	185,503	
Accounts receivable	71,161	-	71,161	
Prepaid expenses	7,666	-	7,666	
	693,228	-	693,228	
Mineral properties	280,273	-	280,273	
Royalty interest	1	-	1	
Fixed assets	787	-	787	
	<b>\$ 974,289</b>	<b>-</b>	<b>\$ 974,289</b>	
Accounts payable and accrued liabilities	36,771	-	36,771	
Flow-through share liability	-	25,777	25,777	( e )
Future tax liability	112,600	-	112,600	
Share capital	4,787,821	(72,500)	4,715,321	( e )
Warrants	26,925	-	26,925	
Contributed surplus	627,940	(5,648)	622,292	( c )
<b>Deficit</b>	<b>(4,617,768)</b>	<b>52,371</b>	<b>(4,565,397)</b>	<b>(c, e)</b>
	<b>\$ 974,289</b>	<b>-</b>	<b>\$ 974,289</b>	





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Notes to the Unaudited Consolidated Financial Statements

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### 3. FIRST TIME ADOPTION OF IFRS (continued)

#### Reconciliation of statement of Operations and Comprehensive loss

	Three months ended March 31, 2011			
	GAAP	Effect of Transition to IFRS	IFRS	Notes
Consulting fees	\$ 22,495	-	\$ 22,495	
Management fees	46,500	-	46,500	
Investors' relations	22,457	-	22,457	
Office, general and administrative	16,425	-	16,425	
Professional fees	13,279	-	13,279	
Directors' fees	7,500	-	7,500	
Part XII.6 interest and taxes	566	-	566	
Amortization	98	-	98	
Net loss from operations	\$ 129,320	-	\$ 129,320	
<b>Other income</b>				
Flow-through share premium recovery	-	(2,557)	(2,557)	( e )
Interest and other (income) loss	(24,027)	-	(24,027)	
Future income tax (recovery)	-	4,815	4,815	
Other (income) loss	(24,027)	-	(21,769)	
Net loss and comprehensive loss	\$ 105,293	2,258	\$ 107,551	



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### 3. FIRST TIME ADOPTION OF IFRS (continued)

#### Reconciliation of statement of Operations and Comprehensive loss

	Six months ended March 31, 2011			
	GAAP	Effect of Transition to IFRS	IFRS	Notes
Consulting fees	\$ 37,690	-	\$ 37,690	
Management fees	94,675	-	94,675	
Investors' relations	26,589	-	26,589	
Office, general and administrative	39,559	-	39,559	
Professional fees	23,773	-	23,773	
Directors' fees	15,000	-	15,000	
Share-based payments	53,164	-	53,164	
Part XII.6 interest and taxes	566	-	566	
Amortization	196	-	196	
Net loss from operations	\$ 291,212	-	\$ 291,212	
<b>Other income</b>				
Flow-through share premium recovery	-	(45,057)	(45,057)	( e )
Interest and other (income) loss	(199,966)	-	(199,966)	
Future income tax (recovery)	(66,000)	4,815	(61,185)	
Other (income) loss	(265,966)	-	(306,208)	
Net loss and comprehensive loss	\$ 25,246	(40,242)	\$ (14,996)	



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### 3. FIRST TIME ADOPTION OF IFRS (continued)

#### Reconciliation of statement of Operations and Comprehensive Loss

	Year ended September 30, 2011			Notes
	GAAP	Effect of Transition to IFRS	IFRS	
Consulting fees	\$ 74,960	-	\$ 74,960	
Management fees	189,675	-	189,675	
Investors' relations	65,809	-	65,809	
Office, general and administrative	80,927	-	80,927	
Professional fees	50,637	-	50,637	
Directors' fees	30,000	-	30,000	
Share-based payments	166,895	(5,648)	161,247	( c )
Part XII.6 interest	1,900	-	1,900	
Amortization	391	-	391	
Loss in value of marketable securities held for trading	21,438	-	21,438	
Net loss from operations	\$ 682,632	(5,648)	\$ 676,984	
<b>Other income</b>				
Flow-through share premium recovery	-	(46,723)	(46,723)	( e )
Interest ( income) loss	(741)	-	(741)	
(Gain) loss on disposal of property	(185,391)	-	(185,391)	
(Gain) loss on sale of marketable securities	(21,518)	-	(21,518)	
Other (income) loss	(207,650)	(46,723)	(254,373)	( e )
Net loss and comprehensive loss	\$ 474,982	(52,371)	\$ 422,611	



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For the three and six month period ended March 31, 2012 and 2011

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### 3. FIRST TIME ADOPTION OF IFRS (continued)

#### Reconciliation of Cash Flows

	Six month period ended March 31, 2011			
	GAAP	Effect of Transition to IFRS	IFRS	Notes
Operations				
Net Loss	\$ (25,246)	40,242	\$ 14,996	
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization	196	-	196	
Settlement of accounts receivable through receipt of shares	(37,504)	-	(37,504)	
Share-based payments	53,164	-	53,164	(c)
Flow-through share premium recovery	-	(23,404)	(23,404)	(e)
Future income tax recovery	(66,000)	-	(61,185)	
Net changes in non-cash working capital				
Marketable securities	30,567	-	30,567	
HST receivable	-	-	-	
Accounts receivable	19,274	-	19,274	
Prepaid expenses	(3,807)	-	(3,807)	
Accounts payable and accrued liabilities	(24,587)	-	(24,587)	
Decrease in restricted cash held in trust	550,000	-	550,000	
<b>Cash used in operating activities</b>	<b>496,057</b>	<b>-</b>	<b>517,710</b>	
Cash flows from investing activities	-	-	-	
Mineral Properties	(187,872)	-	(187,872)	
Disposition of Exploration Lic 1070	150,000	-	150,000	
<b>Cash flows used in investing activities</b>	<b>(37,872)</b>	<b>-</b>	<b>(37,872)</b>	
Cash flows from financing activities	-	-	-	
Issue of common shares	134,000	-	134,000	
Share issue costs	(112,150)	-	(112,150)	
<b>Cash flows provided from financing activities</b>	<b>21,850</b>	<b>-</b>	<b>21,850</b>	
Net (decrease) increase	480,034	-	480,034	
Cash, beginning of period	272,291	-	272,291	
<b>Cash, end of period</b>	<b>\$ 752,325</b>	<b>-</b>	<b>\$ 752,325</b>	



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### 3. FIRST TIME ADOPTION OF IFRS (continued)

#### Reconciliation of Cash Flows

	Year ended September 30, 2011			
	GAAP	Effect of Transition to IFRS	IFRS	Notes
Operations				
Net Loss	\$ (474,982)	52,371	\$ (422,611)	
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization	391	-	391	
Flow through share premium recovery	-	(46,723)	(46,723)	( e )
Share-based payments	166,895	(5,648)	161,247	( c )
Bad debts expense (recovery)	(4,871)	-	(4,871)	
Gain on disposal of property	(185,391)	-	(185,391)	
Gain on sale of marketable securities	(21,518)	-	(21,518)	
Loss on value of marketable securities	21,438	-	21,438	
Net changes in non-cash working capital				
HST receivable	(5,334)	-	(5,334)	
Restricted cash held in trust	550,000	-	550,000	
Prepaid expenses	(7,366)	-	(7,366)	
Accounts payable and accrued liabilities	(1,175)	-	(1,175)	
Cash used in operating activities	38,087	-	38,087	
Cash flows from investing activities				
Mineral Properties	(248,273)	-	(248,273)	
Short-term investments	(37,500)	-	(37,500)	
Proceeds from disposal of property	150,000	-	150,000	
Proceeds from sale of securities	54,293	-	54,293	
Cash flows used in investing activities	(81,480)	-	(81,480)	
Cash flows from financing activities				
Issue of common shares	200,000	-	200,000	
Share issue costs	-	-	-	
Cash flows provided from financing activities	200,000	-	200,000	
Net (decrease) increase	156,607	-	156,607	
Cash, beginning of period	272,291	-	272,291	
Cash, end of period	\$ 428,898	-	\$ 428,898	



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#### 4. ACQUISITION OF 2285944 ONTARIO LIMITED ("2285944")

Pursuant to the Asset Purchase Agreement dated July 26, 2011, the Company acquired 100% of the outstanding shares of 2285944 Ontario Limited ("2285944"). 2285944 owned certain mineral properties consisting of 8 unpatented claims totaling 240 hectares or approximately 600 acres for a purchase price of \$68,000. In consideration of the assets acquired, the Company paid \$50,000 in cash and issued 100,000 common shares at a deemed price of \$0.18 per share to the shareholders of the Corporation. The common shares issued are subject to certain escrow conditions agreed upon by the parties.

The acquisition does not meet the definition of a business combination as set out in the CICA Handbook Section 1582 and has therefore been accounted for as an asset purchase.

The following table summarizes the fair values of the asset acquired at the date of acquisition:

	2011
Asset acquired:	
Mineral Property	\$ 68,000
Purchase price consists of:	
100,000 common shares @ \$0.18 per share (added to the stated capital)	18,000
Cash paid	50,000
	\$ 68,000

#### 5. MINERAL PROPERTIES

Below is the summary of mineral properties and deferred exploration costs incurred during the year:

	March 31, 2012	March 31, 2011	September 30, 2011
<b>Northern Ontario, Canada</b>			
<b>Blue Quartz</b>			
Acquisition	\$ 10,000	\$ 10,000	\$ 10,000
Exploration	216,273	177,872	202,273
<b>2285944 Claims</b>			
Acquisition	68,000	-	68,000
Exploration	-	-	-
<b>TimGinn</b>			
Exploration	254,513	-	-
	\$ 548,786	\$ 187,872	\$ 280,273



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Notes to the Unaudited Consolidated Financial Statements

For the three and six month period ended March 31, 2012 and 2011

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## 5. MINERAL PROPERTIES (continued)

### Northern Ontario, Canada

#### Blue Quartz

On December 6, 2010, McLaren Resources Inc. ("McLaren" or the "Company") and Red Mile Minerals Corp., ("Red Mile") entered into an Option Agreement whereby McLaren could earn a 50% interest in the Blue Quartz gold property, with McLaren having the right of first refusal on the remaining 50% interest. The Property consists of 25 patented mining claims and is located in Beatty Township, Northern Ontario. To earn a 50% interest in the Blue Quartz Property, the Company paid \$10,000 cash and issued 100,000 McLaren common shares with a deemed price of \$0.14 per share and is required to spend \$200,000 on exploration and development.

During the year, the Company completed the \$200,000 in exploration and development expenditures and exercised its option to acquire 50% of the Blue Quartz property holding 25 patented mining claims. A 1.0% Net Smelter Royalty ("NSR") is retained by the predecessor companies (Thundermin Resources Inc. and Wesdome Mines Ltd.). Upon completion of the earn in and exercising its option to acquire the 50% interest in the Blue Quartz property, the Company has the right to purchase 50% (.05%) of the NSR from the predecessor companies for \$250,000.

Upon exercising the option herein to earn its full 50% interest in the Property, McLaren and Red Mile shall agree to associate on a joint venture basis for further exploration and development of the Property, sharing the costs of exploration and development in accordance with their respective interest in the Property. On September 16, 2011, the Company proposed a joint venture agreement on the Blue Quartz property owned 50% by the Company and 50% by Red Mile Minerals Corp. A definitive joint venture agreement will be drafted on standard industry terms and will be executed by the parties within six months from the date of acceptance.

#### 2285944 Claims

On July 26, 2011, the Company purchased additional property from 2285944 Ontario Limited consisting of 8 unpatented claims totaling 240 hectares or approximately 600 acres for a purchase price of \$68,000. Details of the purchase are described in (Note 4).

As of the date of the audit report, the transfer of the property titles are currently in process.

#### TimGinn

On November 7, 2011 the Company announced that it had signed a binding Letter of Intent ("LOI") with TimGinn Exploration Limited to earn a 60% interest in a past producing gold property located in the heart of the Timmins Gold Camp adjacent to Goldcorp's Hollinger and McIntyre mines which have combined production of over 30 million ounces of gold to date.

McLaren can earn a 50% interest in the property by incurring \$2 million of exploration expenditures by April 30, 2015 and an additional 10% interest by incurring an additional \$2 million in exploration expenditures by April 30, 2016 in order to earn a 60% interest for \$4 million in total expenditures.



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## 6. DEFERRED PETROLEUM AND NATURAL GAS EXPLORATION COSTS AND COMMITMENTS

Below is the summary of petroleum and natural gas properties and deferred exploration costs.

	March 31, 2012	September 30, 2011
North Sea, Netherlands		
Acquisition		-
Exploration		\$ 970,787
Writedown		(970,787)
	\$ -	\$ -

### Western Newfoundland, Canada: Exploration License 1070 ("EL 1070")

On November 11, 2010 McLaren Resources Inc. completed the sale of its 5% interest in the EL 1070 Western Newfoundland property to Shoal Point Energy Ltd ("SPE"). The Company received proceeds of \$150,000 cash, 750,000 SPE shares and 250,000 SPE warrants exercisable at a price of \$0.28 with a two year term. In addition, the aggregate funds of \$550,000 held in trust with the Company's solicitors, pursuant to the purchase and sale agreement, have been released back to the Company.

### North Sea Leases, Netherlands:

During the year ended September 30, 2010, the Company relinquished two of the four offshore petroleum exploration blocks held by the Company in the North Sea. In addition, on June 29, 2010, the Company disposed of its 27% interest in the two remaining North Sea blocks for a 3% net profit interest and a cash payment of \$125,000 in aggregate. During the three month period end, the cash payment was reduced from \$125,000 to \$100,00. The Company received the \$100,000 cash during the period and retains the 3% net profit interest in the property.

## 7. COMMITMENTS AND CONTINGENCIES:

Minimum cash expenditures on Canadian exploration and development.

The Company is committed to spend proceeds of flow-through share issuance resulting from private placement. In December 2011, the Company issued 1,000,000 flow through shares with gross proceeds of \$250,000 (Note 14(b)(i)). The stock qualified as flow-through shares under the Income Tax Act (Canada) and the corresponding expenditures are to be made by the Company on or before December 31, 2012.

The Company's operations were partly financed by the issuance of flow-through shares. However, there is no assurance that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose.





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At December 31, 2011, the Company accrued a liability of \$1,184 (2010-\$2,550) for Part XII.6 interest charged on unspent flow-through funds which were raised and renounced to the subscribers in December 2010. These funds were fully spent on qualified Canadian exploration expenditures in accordance with the Income Tax Act (Canada) through December 31, 2011.

## 8. MARKETABLE SECURITIES

The Company's marketable securities consist of the following:

	March 31, 2012	March 31, 2011	September 30, 2011
<u>Held-for-trading:</u>			
Shoal Point Energy common shares 509,772 (2011 - 659,722) shares @ \$0.195 (2011 - \$0.20) per share)	\$ 99,405	\$ 224,322	\$ 118,759
Shoal Point Energy warrants (250,000 units - fair market value was determined using Black-Scholes option pricing model)	8,750	-	14,244
Victory Gold Mines Inc. - common shares (250,000 shares @ \$.195 (2011 - \$0.20)	48,750	37,500	52,500
	\$ 156,905	\$ 261,822	\$ 185,503

As of March 31, 2012, the Company held 509,772 common shares with fair market value of \$0.195 per share and 250,000 warrants, expiring November 8, 2012, of SPE fair market value was determined using the Black-Scholes option pricing model.

The shares and warrants have been classified as held-for-trading.

The Company follows the fair value method of accounting for warrants using the Black-Scholes option pricing model. The fair value of warrants were calculated based on the following assumptions at March 31, 2012.

Risk free interest rate	1.30 %
Expected volatility	100 %
Expected life (in years)	0.5
Dividend yield	0.00 %
Stock price	\$ 0.195
Weighted average exercise price	\$ 0.28



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On December 31, 2010, the Company received 250,000 common shares of Victory Gold Mines Inc. (formerly Batavia Energy Corp) at a price of \$0.15 per share in settlement of the accounts receivable for \$37,500. As at March 31, 2012, the fair market value of the shares quoted in active market was \$0.195 per share equal to \$48,750.

## 9. GAIN ON SALE OF MARKETABLE SECURITIES

During the 2nd quarter of 2012, the Company sold 150,000 SPE common shares for net proceeds of \$56,612 resulting in a gain of \$26,612.

## 10. PREPAID EXPENSES

Prepaid expenses represent advance payments made to vendors for expenses applicable to a future period. They include advance payment made to consultants for maintenance of Company's website and unexpired portion of insurance.

## 11. CAPITAL ASSETS

<b>Cost</b>	<b>Computer Equipment \$</b>	<b>Total \$</b>
Balance, October 1, 2010	2,560	2,560
Balance, September 30, 2011	2,560	2,560
Balance, March 31, 2012	2,560	2,560
<b><u>Accumulated Amortization</u></b>		
Balance, October 1, 2010	1,382	1,382
Depreciation for the period	391	391
Balance, September 30, 2011	1,773	1,773
Depreciation for the period	78	78
Balance, March 31, 2012	1,851	1,851
<b><u>Carrying Amount</u></b>		
As at October 1, 2010	1,178	1,178
As at September 30, 2011	787	787
As at December 31, 2011	748	748
<b>As at March 31, 2012</b>	<b>709</b>	<b>709</b>



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Notes to the Unaudited Consolidated Financial Statements

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## 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist primarily of outstanding vendors' invoices and accrued expenses incurred during the years. The balances owing to the creditors are payable in accordance with the vendors' individual credit terms. The Company has the following contractual maturities:

	March 31, 2012	March 31, 2011	September 30, 2011
Less than 3 months	\$ 25,755	\$ 13,358	\$ 36,771
3 - 6 months	-	-	-
6 - 9 months	-	-	-
9 - 12 months	-	-	-
Greater than 12 months	-	-	-
	<b>\$ 25,755</b>	<b>\$ 13,358</b>	<b>\$ 36,771</b>

## 13. RELATED PARTY TRANSACTIONS

(a) During the three month period ended March 31, 2012, officers and directors of the Company and corporations related to them charged consulting and management fees of \$52,500 (2011-\$46,500). Included in accounts payable is \$Nil (2011-\$Nil) relating to unpaid management and consulting fees.

(b) During the three month period ended March 31, 2012, directors of the Company and corporations related to them charged director fees of \$7,500 (2011-\$7,500). Included in accounts payable is \$Nil (2010-\$Nil) relating to unpaid director fees.

(c) During the three month period ended March 31, 2012, the Company was charged \$22,258 (2011-\$8,391) by a law firm of which an officer of the Company is a partner. Accounts payable at March 31, 2012 includes \$6,090 (2011-\$4,000) owing to this law firm.

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



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#### 14. CAPITAL STOCK

##### (a) Authorized

An unlimited number of one class of voting shares, designated common shares, with no par value.

##### (b) Issued and outstanding

	March 31, 2012		March 31, 2011	
	Number of shares	Amount \$	Number of shares	Amount \$
Beginning balance	20,994,281	\$ 4,715,321	19,794,281	\$ 4,587,246
Private placement ( i )	3,000,000	600,000	-	-
Issuance of warrants ( i )	-	(74,344)	-	-
Warrant revaluation March 31 ( ii )	-	8,569	-	-
Private placement flow-through ( ii )	1,000,000	250,000	1,000,000	200,000
Stock issued for services ( iii )	100,000	11,000	-	-
Flow-through share premium	-	(50,000)	-	(30,000)
Future income taxes from renounced expenditures ( v )	-	-	-	(56,500)
Ending balance	25,094,281	\$ 5,460,546	20,794,281	\$ 4,700,746

During the year the following transactions occurred:

- (i) During the 1st quarter of 2012, the Company issued 3,000,000 common share units at \$0.20 per share unit; gross proceeds of \$600,000. Each unit consists of one common share and a half-warrant, with each full warrant being exercisable at \$0.30 per share for 18 months from the date of closing.
- (ii) During the 1st quarter of 2012, the Company completed a non-brokered private placement of 1,000,000 flow-through common shares at a price of \$0.25 per share; gross proceeds of \$250,000.
- (iii) On November 5 2011, 100,000 common shares at a deemed price of \$0.11 per share were issued for advisory services.
- (iv) The Company paid \$10,000 cash and issued 100,000 common shares at a deemed price of \$0.14 per share in relating to its 50% option in the Blue Quartz property consisting of 25 patented mining claims (see Note 5 ).

The Company paid \$50,000 in cash and issued a 100,000 common shares at a deemed price of \$0.18 per share in full consideration to acquire 100% of 8 unpatented mining claims located in Beatty Township, Northern Ontario which are contiguous to the Blue Quartz property (see Note 4 ).



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( v ) Deferred income taxes for renounced expenditures amounted to \$56,500 for the current year calculated at current year's combined taxes of 28.25%.

**c) Warrants:**

In December 2011, the Company issued 3,000,000 common share units consisting of one common share and a half-warrant, with each full warrant being exercisable at \$0.30 per share for 18 months from the date of closing. These warrants remain outstanding as at March 31, 2012:

Date issued	Number of Warrants	Fair Value of Warrants	Exercise Price	Expiry Date
December 30, 2010	500,000	\$ 6,450	0.30	June 30, 2012
December 05, 2011	1,500,000	86,250	0.30	June 04, 2013
Totals	2,000,000	\$ 92,700		

The Company follows the fair value method of accounting for warrants using the Black-Scholes option pricing model. The fair value of warrants were calculated based on the following assumptions:

Risk free interest rate	1.30 %
Expected volatility	100 %
Expected life (in years)	1.25
Dividend yield	0.00 %
Stock price	\$ 0.195
Exercise price	\$ 0.30

**d) Stock option plan:**

The Company has adopted a stock option plan (the "Plan"), which provides that the board of directors of the Company may from time to time, in its discretion, and in accordance with exchange requirements, grant to directors, officers, employees and consultants of the Company options to purchase the Company's shares, provided that the number of the Company's shares reserved for issuance may not exceed 10% of the issued and outstanding common shares at any time. Such options will be exercisable for a period of up to 5 years from the date of grant. Except in specified circumstances, options are not assignable and will terminate if the optionee ceases to be employed by or associated with the Company. The terms of the Plan further provide that the price at which shares may be issued cannot be less than the market price (net of permissible discounts) of the shares when the relevant options were granted.



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As at March 31, 2012, common share options held by directors, officers, and consultants are as follows:

Number of options outstanding	Exercise Price \$	Expiry Date	Number of options exercisable
200,000	0.50	May 17, 2012	200,000
125,000	0.20	August 30, 2013	31,250
1,025,000	0.20	December 30, 2014	1,025,000
375,000	0.20	December 10, 2015	375,000
350,000	0.35	April 28, 2016	350,000
2,075,000	0.26		1,981,250

The following table outlines the transactions of stock options occurred during the period:

	March 31, 2012	March 31, 2011
Weighted average exercise price	\$ 0.26	\$ 0.26
Balance, beginning of the year	2,075,000	1,600,000
Options granted during the year ( i )	-	850,000
Options exercised during the year	-	-
Options cancelled during the year ( ii )	-	(375,000)
Balance, end of the year	2,075,000	2,075,000

( i ) On December 10, 2010, the Company granted 375,000 stock options to its officers and directors with an exercise price of \$0.20 per share, expiry date December 10, 2015.

On April 28, 2011, the Company granted 350,000 stock options to the management and consultants with an exercise price of \$0.35, expiry date April 28, 2016.

On August 17, 2011, the Company granted 125,000 stock options to its Consultant with an exercise price of \$0.20 per share, vesting quarterly, expiry date August 30, 2013.

( ii ) During the year ended September 30, 2011, the Company cancelled 375,000 options previously granted to the officers and employees no longer connected with the Company.



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In calculating the fair value of the options, the Company follows the Black-Scholes option pricing model. The following table summarizes the underlying assumptions that the Company used to determine the share-based compensation cost for the Company's option awards during the period.

	March 31, 2012	March 31, 2011
Risk-free interest rate	1.60 %	1.71 %
Expected life (in years)	5.00	5
Expected volatility	100 %	100 %
Weighted average exercise price	\$ 0.26	\$ 0.26

The share-based compensation recorded during the year amounted to \$3,283 (2011 - \$53,164) and credited to Contributed Surplus.

## 15. CONTRIBUTED SURPLUS

The following table summarizes the changes of Contributed Surplus during the period:

	March 31, 2012	March 31, 2011
Balance - beginning of the period / year	\$ 622,292	\$ 461,045
Share-based payments (Note 14(d))	3,283	161,247
Balance - end of the period / year	\$ 625,575	\$ 622,292

## 16. ROYALTY INTEREST

During 2005, the Company purchased a beneficial 5% new smelter royalty interest ("NSR") on the Zenda Property in Kern County, California, USA. During 2007, the Company paid its remaining contractual obligation regarding the purchase of the NSR and wrote-down the carrying value of the NSR interest due to lack of progress in bringing the property into commercial production.

## 17. RESTRICTED CASH

On September 29, 2010, the Company entered into a Purchase and Sale Agreement (the "Agreement") with Shoal Point Energy Inc. and Canadian Imperial Venture Corp. to acquire a 5% working interest in a



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Western Newfoundland property. In consideration the Company placed \$550,000 in trust with the Company's solicitors. In November 2010, the Agreement was cancelled and the \$550,000 was released to the Company.

## **18. CAPITAL MANAGEMENT**

The Company's objective in managing capital is to maintain the entity's ability to continue as going concern, support the Company's normal operating requirements and to continue the exploration and development of its mineral properties.

The capital of the Company consists of the items in the shareholders' equity. The Board of Directors does not establish a quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. 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 debts or equity or similar instruments to obtain additional financing.

The Company's over-all strategy with respect to capital risk management remained unchanged during the year. The Company is not subject to any externally imposed capital requirements as at March 31, 2012.

## **19. FINANCIAL INSTRUMENTS**

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and to up-to-date market information.

The Company's risk exposure and risk management policies and procedures have not changed.

### **Market risk**

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The Company may use derivative, financial instruments such as foreign exchange contracts and interest rate swaps to manage certain exposures. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.





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#### Credit risk

The maximum exposure to credit risk is equal to the carrying amount of financial instruments classified as loans and receivables.

#### Liquidity risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity are its cash and cash equivalents. These funds are primarily used to finance working capital, operating expenses, exploration expenditures, capital expenditures, dividends and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities, holding adequate amounts of cash and cash equivalents. The current year's budget is planned to be funded and cash and cash equivalents provide additional flexibility for short-term timing fluctuations.

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

#### Fair value

The carrying value and fair value of these financial instruments at March 31, 2012 is disclosed below by financial instrument category, as well as any related interest expense for the period ended March 31, 2011:

Financial Instrument	March 31, 2012			March 31, 2011		
	Carrying Value	Fair Value	Interest Expense	Carrying Value	Fair Value	Interest Expense
<i>Held for trading</i>						
Cash	\$ 824,735	\$ 824,735	\$ -	\$ 752,325	\$ 752,325	\$ -
Marketable Securities	\$ 156,905	\$ 201,410	\$ -	\$ 261,822	\$ 261,822	\$ -
<i>Loan and receivable</i>						
HST Recoverable	\$ 16,618	\$ 16,618	\$ -	\$ 46,553	\$ 46,553	\$ -
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Financial liabilities</i>						
Accounts payable and accrued liabilities	\$ 25,755	\$ 25,755	\$ -	\$ 13,357	\$ 13,357	\$ -

The fair value of the Company's financial assets and liabilities approximates their respective carrying values as at the balance sheet dates because of the short term maturity of these instruments. The fair value of the financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:



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Level 1 - valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 - valuation techniques based on inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalent is measured based on Level 1 inputs referred to in the three levels of the hierarchy noted above. The Company does not have any Level 2 or Level 3 fair value measurements and thus no continuity schedule has been presented. In addition, there have been no significant transfers between levels.

## **20. LOSS PER SHARE**

Net loss per share has been calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. The effect of stock options and warrants was anti-dilutive and hence, the diluted loss per share equals the basic loss per share.

## **21. SUBSEQUENT EVENTS**

There are no subsequent events to report for the period ending March 31, 2012.

## **22. RECLASSIFICATION**

The comparative financial statements have been reclassified to conform to the presentation of the current period financial statements.