NEWTON GOLD CORP.

(formerly New High Ridge Resources Inc.)

Condensed Interim Financial Statements

For the three months ended March 31, 2012

(Expressed in Canadian dollars)

(Unaudited)

Notice to Readers

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

The accompanying unaudited condensed interim financial statements of Newton Gold Corp. for the three months ended March 31, 2012 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim financial statements.

NEWTON GOLD CORP.
(formerly New High Ridge Resources Inc.)
Condensed Interim Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)

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NEWTON GOLD CORP.
(formerly New High Ridge Resources Inc.)
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	March 31, 2012	December 31, 2011
Assets		
Current		
Cash	**$ 68,874**	$ 58,280
Amounts receivable	**24,814**	32,770
Prepaid expenses	**12,900**	3,536
	106,588	94,586
Non-current		
Exploration advance to joint venture partner (note 4)	**-**	228,644
Exploration and evaluation assets (note 4)	**1,776,537**	1,585,099
	$ 1,883,125	$ 1,908,329
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 99,880**	$ 221,298
Other liabilities (note 5)	**104,928**	104,928
	204,808	326,226
Shareholders' Equity		
Share capital (note 6)	**10,920,462**	10,750,362
Reserves	**576,361**	526,947
Accumulated deficit	**(9,818,506)**	(9,695,206)
	1,678,317	1,582,103
	$ 1,883,125	$ 1,908,329

Nature of operations and going concern (note 1)
Contingent liabilities (note 8)

These financial statements were authorized for issue by the board of directors on May 30, 2012. They are signed on the Company's behalf by:

"Mark McLeary" ______________________ Director

"Ian Foreman" ______________________ Director

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

NEWTON GOLD CORP.
(formerly New High Ridge Resources Inc.)
Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended March 31, 2012	For the three months ended March 31, 2011
Expenses		
Accounting and auditing	**$ 4,320**	$ 9,322
Consulting and management (note 7(a))	**37,250**	34,000
Director fees (note 7(a))	**1,500**	-
Insurance	**2,363**	3,250
Investor communications	**-**	18,834
Legal	**3,257**	21,901
Office and sundry	**13,866**	9,690
Regulatory and transfer agent fees	**7,528**	9,411
Share-based compensation (note 6(d))	**49,414**	236,401
Travel and business development	**3,802**	484
Loss before other items	**123,300**	343,293
Other items		
Mining exploration tax credit disallowed	**-**	11,817
Net and comprehensive loss for the period	**$ (123,300)**	$ (355,110)
Basic and diluted loss per share	**$ (0.00)**	$ (0.02)
Weighted average number of shares outstanding	**28,298,253**	19,052,212

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

NEWTON GOLD CORP.
(formerly New High Ridge Resources Inc.)
Condensed Interim Statements of Changes in Equity (Deficit)
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Share Capital	Reserves	Deficit	Total Equity
Balance at December 31, 2010	15,444,268	$ 8,991,059	$ 139,850	$ (9,210,504)	$ (79,595)
Private placement	5,000,000	650,000	-	-	650,000
Share issuance costs, cash	-	(25,289)	-	-	(25,289)
Share issuance costs, agent's warrants	-	(36,528)	36,528	-	-
Warrants exercised	175,000	43,750	-	-	43,750
Share-based compensation	-	-	236,401	-	236,401
Loss for the period	-	-	-	(355,110)	(355,110)
Balance at March 31, 2011	20,619,268	$ 9,622,992	$ 412,779	$ (9,565,614)	$ 470,157
Balance at December 31, 2011	27,702,868	$ 10,750,362	$ 526,947	$ (9,695,206)	$ 1,582,103
Private placement	1,260,000	170,100	-	-	170,100
Share-based compensation	-	-	49,414	-	49,414
Loss for the period	-	-	-	(123,300)	(123,300)
Balance at March 31, 2012	**28,962,868**	**$ 10,920,462**	**$ 576,361**	**$ (9,818,506)**	**$ 1,678,317**

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

NEWTON GOLD CORP.
(formerly New High Ridge Resources Inc.)
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended March 31, 2012	March 31, 2011
Cash provided by (used for)		
Operating activities		
Net loss for the period	**$ (123,300)**	$ (355,110)
Add items not affecting cash		
Share-based compensation	**49,414**	236,401
	(73,886)	(118,709)
Net change in non-cash working capital	**(122,826)**	(53,808)
	(196,712)	(172,517)
Financing activities		
Issuance of common shares	**170,100**	693,750
Share issuance costs	**-**	(25,289)
	170,100	668,461
Investing activities		
Expenditures on exploration and evaluation assets	**37,206**	(45,001)
	37,206	(45,001)
Net increase in cash	**10,594**	450,943
Cash, beginning of period	**58,280**	2,935
Cash, end of period	**$ 68,874**	$ 453,878
Supplemental cash flow disclosure		
Interest received (paid)	**$ (55)**	$ -
Income taxes paid	**$ -**	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Newton Gold Corp. (the “Company”) was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange (“TSX-V”). The Company’s primary business is the acquisition and exploration of mineral properties. The Company is considered to be in the exploration stage. On February 9, 2011, the name of the Company was changed from New High Ridge Resources Inc. to Newton Gold Corp.

The Company's corporate office is located at Suite 400, 409 Granville Street, Vancouver, British Columbia V6C 1T2.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company has not yet determined whether its mineral interests contain economically recoverable resources. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves. Further discussion of liquidity risk has been disclosed in Note 9c.

The Company does not generate cash flow from operations to fund its exploration activities, and has therefore relied upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations and exploration activities to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the balance sheet classifications used. These condensed interim financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

a) Basis of preparation

These condensed interim financial statements have been prepared on a historical cost basis except for financial instruments classified as at fair value through profit and loss, which are measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

b) Presentation and functional currency

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

2. BASIS OF PREPARATION (continued)

c) Significant accounting judgments and estimates

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

i) Critical accounting estimates

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

(a) Impairment of exploration and evaluation assets

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

(b) Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's statement of comprehensive loss. For the three months ended March 31, 2012, the Company recognized $49,414 (March 31, 2011 - $236,401) share-based compensation expense.

ii) Critical judgments used in applying accounting policies

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

(a) Exploration and evaluation assets

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

2. BASIS OF PREPARATION (continued)

c) Significant accounting judgments and estimates (continued)

ii) Critical judgments used in applying accounting policies (continued)

(b) Income taxes

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

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

i) Financial assets

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

(a) Fair value through profit or loss

This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. Cash is classified as a fair value through profit and loss financial asset.

(b) Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

(c) Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations and comprehensive loss. The Company has not classified any financial assets as held-to-maturity investments.

(d) Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in the statement of operations and comprehensive loss. The Company has not classified any financial assets as available-for-sale.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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

ii) Financial liabilities

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

(a) Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Financial liabilities (continued)

(b) Other financial liabilities

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

b) Cash and cash equivalents

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

c) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties; accordingly, it follows the practice of capitalizing all costs relating to the acquisition of, exploration for, and development of mineral claims, and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to geological, geophysical studies, exploratory drilling, and sampling.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

The aggregate costs related to abandoned mineral claims are charged to net income (loss) at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed if new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

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

If the Company recognizes net income (loss) costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount, then the Company recognizes this as a gain on sale of mineral rights.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they will be charged to the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Impairment

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

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

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

e) Foreign currency translation

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

Foreign currency gains and losses are reported on a net basis included in net income (loss).

f) Share capital

i) Common shares

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

ii) Equity units

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Share capital (continued)

iii) Flow-through shares

The Company will from time to time issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax benefit of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) share capital, equal to the market value of the shares; ii) a flow-through share premium liability, equal to the estimated premium, if any, investors pay for the flow-through feature; and iii) reserve for warrants, equal to the remaining proceeds received.

When qualifying expenses are incurred, the Company recognizes a deferred tax liability and deferred tax expense for the value of the tax benefit renounced to the shareholders. The Company also derecognizes the liability on the flow-through share premium, as a reduction of deferred tax expense.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Tax Act). The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as unspent commitment/other liability (liability on flow-through share premium).

g) Share-based payment transactions

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

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

Where share options are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

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

h) Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognised is transferred from the equity reserve to accumulated deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Income taxes

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

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

Deferred tax is provided using the balance sheet liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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

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

j) 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. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Loss per share

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

4. EXPLORATION AND EVALUATION ASSETS

The Company had accumulated the following acquisition and exploration expenditures:

	Chuchi	Newton Hill	Total
Balance at December 31, 2011	$ 61,261	$ 689,550	$ 750,811
Exploration expenditures	-	-	-
Balance at March 31, 2012	**$ 61,261**	**$ 689,550**	**$ 750,811**
Balance at December 31, 2011	$ 166,996	$ 667,292	$ 834,288
Exploration expenditures	(37,205)	228,643	191,438
Balance at March 31, 2012	**$ 129,791**	**$ 895,935**	**$ 1,025,726**
At December 31, 2011	**$ 228,257**	**$ 1,356,842**	**$ 1,585,099**
At March 31, 2012	**$ 191,052**	**$ 1,585,485**	**$ 1,776,537**

a) Chuchi Property

The Company owns a 100% interest in certain mineral claims located in the Omineca Mining Division of British Columbia, referred to as the Chuchi Property. The property is subject to a 3% net smelter return royalty (“NSR”). The Company is required to pay annual advance royalties of $20,000.

The NSR can be reduced to 1% by paying $2,000,000 to the optionors. The Company is required to issue an additional 50,000 common shares upon the commencement of commercial production.

In December 2008 the Company wrote down the recorded cost of the property to $Nil. As at March 31, 2012, mineral property interests represent accumulated costs incurred on the property since January 1, 2009.

4. EXPLORATION AND EVALUATION ASSETS (continued)

b) Newton Hill Property

The Company holds a 20% interest in certain mineral claims located in the Clinton Mining Division of British Columbia, referred to as the Newton Hill Property. Certain claims within the property are subject to a 2% NSR. The NSR can be purchased at any time by the Company for $2,000,000. Under the agreement with Amarc Resources Ltd. ("Amarc") outlined below, Amarc can cause the Company to exercise its option to purchase the NSR and the Company will be required to pay its proportionate share of the purchase price, namely $400,000 to retain its 20% residual interest in the royalty. If the Company's interest in the Joint Venture is reduced to 10%, or less, then the Company's interest will be converted to a 5% net profit interest.

On December 31, 2008 the Company wrote down the recorded cost of the property to $Nil. As at December 31, 2011, mineral property interests represent accumulated costs incurred on the property since January 1, 2009.

On August 12, 2009, the Company entered into an agreement with Amarc by which Amarc was granted an option to acquire an 80% interest in the Newton property. Under the terms of the agreement, Amarc paid $60,000 to the underlying Newton Hill property owners and agreed to expend a total of $4,940,000 on the property in exploration expenditures over seven years.

Amarc earned an 80% interest in the Newton Hill Property and outlying area of interest under the option agreement by funding $5,000,000 in exploration activities. On May 16, 2011 the Company and Amarc entered into a Joint Venture Agreement to further explore the Newton Hill Property.

Amarc has agreed to make advanced royalty payments on behalf of the Company, to the original optionor of the property, of $25,000 annually, commencing January 1, 2011. Additionally, the Company issued 25,000 common shares to Amarc at a value of $5,000, as consideration for Amarc agreeing to issue 100,000 shares in the capital of Amarc to the underlying Newton Hill Property owners. The option agreement between the Company and Amarc also includes an outlying area of interest.

As at March 31, 2012, the Company has advanced $1,585,485 (December 31, 2011 – $1,356,842) to Amarc Resources Ltd., of which $895,935 (December 31, 2011 - $667,292) was utilized for exploration expenditures. At March 31, 2012, $Nil (December 31, 2011 - $228,644) remained as an advance to Amarc Resources Ltd.

5. OTHER LIABILITIES

Other liabilities consist of the liability portion of flow-through shares issued by the Company during the year ended December 31, 2011.

Balance at December 31, 2011	**$**	**104,928**
Balance at March 31, 2012	**$**	**104,928**

5. OTHER LIABILITIES (continued)

The Company was committed to incur a total of $1,198,400 in qualifying exploration expenditures pursuant to the private placements in which flow-through proceeds were issued. The Company must incur the remaining balance of $524,640 in qualifying expenditures within 24 months following the private placement, or by November, 2013. If the Company does not spend these funds in compliance with the Government of Canada's flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints.

6. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

	Number	Issued Price		Amount
Balance at December 31, 2010	**15,444,268**	**-**	**$**	**8,991,059**
Private placement - non-flow-through shares	7,290,000	0.200		1,062,200
Private placement - flow-through shares	4,793,600	0.250		862,848
Share issuance costs - cash	-	-		(138,476)
Share issuance costs - agent options	-	-		(25,600)
Share issuance costs - agent warrants	-	-		(45,419)
Warrants exercised	175,000	0.250		43,750
Balance at December 31, 2011	**27,702,868**	**-**		**10,750,362**
Shares issued for cash	1,260,000	0.135		170,100
Balance at March 31, 2012	**28,962,868**		**$**	**10,920,462**

Effective January 1, 2010, the Company consolidated its share capital on a four old for one new basis. These financial statements reflect this change retrospectively.

On February 17, 2012, the Company issued 1,260,000 units at $0.135 per unit for gross proceeds of $170,100. Each unit consists of one common share and one warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until February 17, 2014 at $0.30 per share for the first year and at $0.30 per share for the second year. The full issue price was allocated to share capital.

6. SHARE CAPITAL (continued)

b) Warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance at December 31, 2010	**6,250,000**	**$**	**0.28**
Warrants granted	12,340,448		0.30
Warrants exercised	(175,000)		0.25
Warrants expired	(6,075,000)		0.28
Balance at December 31, 2011	**12,340,448**	**$**	**0.30**
Warrants granted	1,260,000	$	0.35
Balance at March 31, 2012	**13,600,448**	**$**	**0.30**

Expiry Date	Number of Warrants		Exercise Price
January 28, 2013	5,163,760		$0.20/$0.30
July 21, 2013	3,200,000		$0.40/$0.50
September 8, 2013	886,400		$0.40/$0.50
September 8, 2013	27,000		$0.30/$0.40
September 9, 2013	500,000		$0.30/$0.40
November 18, 2013	479,488		$0.40/$0.50
November 18, 2013	1,343,800		$0.30/$0.40
November 25, 2013	240,000		$0.40/$0.50
November 25, 2013	500,000		$0.30/$0.40
February 17, 2014	1,260,000		$0.30/$0.40
	13,600,448	**$**	**0.30**

6. SHARE CAPITAL (continued)

c) Agent options outstanding

	Number of Agent Options		Weighted Average Exercise Price
Balance at December 31, 2010	**-**	**$**	**-**
Agent options granted	256,000		0.25
Balance at December 31, 2011	**256,000**	**$**	**0.25**
Balance at March 31, 2012	**256,000**	**$**	**0.25**

Grant Date	Expiry Date	Number of Options Outstanding		Exercise Price
July 21, 2011	July 21, 2013	256,000	$	0.25
		256,000	**$**	**0.25**

On July 21, 2011, 256,000 agent options were granted to an agent of the Company to acquire 256,000 units of the Company at an exercise price of $0.25 per unit for a period of two years. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable to purchase one common share of the Company until July 21, 2013 at $0.40 per share for the first year and at $0.50 per share for the second year. These options have a fair value, calculated using the Black-Scholes option pricing model, of $25,600 or $0.10 per option, assuming an expected life of two years, a risk-free interest rate of 1.56%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 150.46%.

6. SHARE CAPITAL (continued)

d) Employee stock options outstanding

	Number of Options		Weighted Average Exercise Price
Balance at December 31, 2010	**660,000**	**$**	**0.170**
Options granted	2,140,000	$	0.220
Options expired/cancelled	(1,050,000)	$	0.220
Balance at December 31, 2011	**1,750,000**	**$**	**0.200**
Options granted	800,000	$	0.100
Balance at March 31, 2012	**2,550,000**	**$**	**0.170**

Grant Date	Expiry Date	Number of Options Outstanding		Exercise Price
November 17, 2010	November 17, 2015	10,000	$	0.150
January 4, 2011	January 4, 2016	800,000	$	0.175
January 28, 2011	January 28, 2016	140,000	$	0.300
Ocrtober 24, 2011	Ocrtober 24, 2016	800,000	$	0.200
March 22, 2012	March 21, 2013	700,000	$	0.100
March 22, 2012	March 21, 2017	100,000	$	0.100
		2,550,000	**$**	**0.170**

On June 30, 2011, the Company approved the 2011 Incentive Share Option Plan. Under this plan, the Company may grant options to directors, officers, employees, and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 10% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of five years and vesting is determined by the Board of Directors. The Company is in compliance with the applicable provisions of any federal, provincial or local law relating the withholding of tax or other required deductions relating to the exercise of the options.

During the year ended December 31, 2011, 2,140,000 stock options were granted to an directors, officers, and consultants of the Company to acquire 2,140,000 shares of the Company at an average exercise price of $0.22 per share for a period of five years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $361,965 or $0.17 per option, assuming an expected life of five years, an average risk-free interest rate of 2.16%, an average expected dividend rate of 0.00%, and an average expected annual volatility coefficient of 134.00%.

6. SHARE CAPITAL (continued)

d) Employee stock options outstanding (continued)

On March 22, 2012, 700,000 stock options were granted to consultants of the Company to acquire 700,000 shares of the Company at an exercise price of $0.10 per share for a period of one year. These options have a fair value, calculated using the Black-Scholes option pricing model, of $38,545 or $0.06 per option, assuming an expected life of one year, a risk-free interest rate of 1.24%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 104.91%.

On March 22, 2012, 100,000 stock options were granted to consultants of the Company to acquire 100,000 shares of the Company at an exercise price of $0.10 per share for a period of five years. These options have a fair value, calculated using the Black-Scholes option pricing model, of $10,869 or $0.11 per option, assuming an expected life of five years, a risk-free interest rate of 1.67%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 143.82%.

7. RELATED PARTY TRANSACTIONS

a) Management transactions

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Accounting	$ 11,410	$ 9,246
Consulting	30,000	34,000
Group health benefits	1,971	-
Share-based compensation	-	119,529
	$ 43,381	$ 162,775

McLeary Capital Management, Inc. is a private company controlled by the President and CEO, Mark McLeary. Mark McLeary was granted 400,000 stock options on January 4, 2011 with a fair value $48,077.

On January 28, 2011 the Company entered into an indefinite term contract with McLeary Capital Management, Inc. (the “consultant”), for the consultant to continue to act as President and Chief Executive Officer and Director of the Company. A monthly consulting fee of $6,500 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until January 5, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant’s options, the relationship between the consultant and the Company will cease.

7. RELATED PARTY TRANSACTIONS (continued)

a) Management transactions (continued)

Foremost Geological Consulting is a private business controlled by a director, Ian Foreman. Ian Foreman was granted 400,000 stock options on January 4, 2011 with a fair value $48,077.

On January 28, 2011 the Company entered into an indefinite term contract with Foremost Geological Consulting (the "consultant"), for the consultant to continue to act as primary technical consultant and Director of the Company. A monthly consulting fee of $3,500 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until January 5, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant's options, the relationship between the consultant and the Company will cease

Fehr and Associates is a private accounting firm controlled by the former Chief Financial Officer, Ann Fehr. Ann Fehr was granted 90,000 stock options on January 28, 2011 with a fair value of $23,375.

b) Transactions with other related parties

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Director fees	$ 1,500	$ -

8. CONTINGENT LIABILITY

On May 18, 2011, the Company received an order granted by a court in Lima, Peru indicating that the Company is responsible for a debt of US$198,933 incurred by a former subsidiary of the Company. The Company did not receive notice of the Peruvian legal proceedings and is seeking advice concerning an application to set aside the order. The Company's Peruvian legal counsel advised that the Company is not responsible for this obligation.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

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

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Fair value hierarchy

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

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

c) Financial risk management

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

i) Credit risk

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

ii) Liquidity risk

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

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

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

iii) Market risk

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

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(a) Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

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

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk to the extent that all monetary assets and liabilities are denominated in Canadian currency.

(c) Capital risk management

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

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