Consolidated Financial Statements of

MEADOW BAY GOLD CORPORATION

As at March 31, 2012 and 2011

(Expressed in Canadian Dollars)

To the Shareholders of Meadow Bay Gold Corporation:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are neither management nor employees of Meadow Bay Gold Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Meadow Bay Gold Corporation's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

June 28, 2012

"Robert Dinning"
Chief Executive Officer

"Keith Margetson"
Chief Financial Officer

MNP LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Meadow Bay Gold Corporation:

We have audited the accompanying consolidated financial statements of Meadow Bay Gold Corporation, which comprise the statement of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010, and the statements of comprehensive loss, changes in equity, and cash flows for the years ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Meadow Bay Gold Corporation as at March 31, 2012, March 31, 2011, and April 1, 2010, and the results of its operations and its cash flows for the years ended March 31, 2012 and 2011, in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of these consolidated financial statements, which states that Meadow Bay Gold Corporation incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast doubt about the ability of Meadow Bay Gold Corporation to continue as a going concern.

June 28, 2012

Vancouver, British Columbia

Chartered Accountants

MEADOW BAY GOLD CORPORATION
Consolidated Statements of Financial Position
Expressed in Canadian dollars
(Audited)

	March 31, 2012	March 31, 2011 (Note 13)	April 1, 2010
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,224,142	$ 4,724,196	$ 59,222
HST receivable	157,046	65,200	5,775
Prepaid expenses and advances	-	22,906	-
	1,381,188	4,812,302	64,997
Property, plant and equipment			
Exploration and evaluation assets (Note 4)	21,443,412	16,369,054	-
Property plant and equipment (Note 5)	573,938	293,167	-
Reclamation deposits (Note 6)	178,021	-	-
	22,195,371	16,662,221	-
	$ 23,576,559	$ 21,474,523	$ 64,997
LIABILITIES			
Accounts payable and accrued liabilities	$ 380,249	$ 407,987	22,299
Amounts payable to related parties	-	-	1,805
	380,249	407,987	24,104
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	27,807,057	23,071,329	1,324,195
Contributed surplus	4,966,046	3,687,421	101,215
Accumulated other comprehensive income	151,374	(28,800)	-
Deficit	(9,728,167)	(5,663,414)	(1,384,517)
	23,196,310	21,066,536	40,893
	$ 23,576,559	$ 21,474,523	$ 64,997

Nature and continuance of operations (Note 1)
Subsequent event (Note 14)

The consolidated financial statements were approved by the Board of Directors on June 28, 2012 and were signed on its behalf by:

"Robert Dinning , **Director**
Robert Dinning

"Adrian Robertson , **Director**
Adrian Robertson

MEADOW BAY GOLD CORPORATION
Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars
(Audited)

	Year ended March 31, 2012	Year ended March 31, 2011
Operating expenses		
Consulting - general and administration	$ 390,715	$ 282,809
Consulting - geological	-	35,061
Depreciation	41,142	-
Lease payments	247,946	-
Office and administration services	468,628	27,460
Professional fees	224,738	501,958
Stock based compensation	1,241,393	3,060,492
Trade shows and investor relations	557,518	202,438
Transfer agent and filing	116,055	101,518
Travel	273,644	27,741
Wages and benefits	508,209	-
Foreign exchange (gain)	(78,778)	49,333
	3,991,210	4,288,810
Operating loss before other items	(3,991,210)	(4,288,810)
Other income (expenses)		
Gain on debt settlement	-	3,296
Interest income	18,457	6,617
Exploration assets written off (Note 4)	(100,000)	-
Other sundry income	8,000	-
Net loss for the year	(4,064,753)	(4,278,897)
Other comprehensive income (loss)		
Translation adjustment	180,174	(28,800)
Comprehensive loss for the year	$ (3,884,579)	$ (4,307,697)
Basic and diluted loss per share	$ (0.10)	$ (0.29)
Weighted average number of shares outstanding	41,192,213	14,741,677

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

MEADOW BAY GOLD CORPORATION
Consolidated Statements of Changes in Equity
Expressed in Canadian dollars
(Audited)

	Share capital Number of shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, April 1, 2010	6,401,209	$ 1,324,195	$ 101,215	$ -	($ 1,384,517)	$ 40,893
Issued for private placement	17,693,750	11,566,077	-	-	-	11,566,077
Issue cost	-	(1,444,056)	-	-	-	(1,444,056)
Issued on exercise of warrants	6,380,000	638,000	592,532	-	-	1,230,532
Issued for finders' fees	21,969	3,295	-	-	-	3,295
Stock based compensation	-	-	3,060,492	-	-	3,060,492
Issued on exercise of options	780,000	183,818	(66,818)	-	-	117,000
Issued for shares of Desert Hawk Resources Inc.	7,500,000	10,800,000	-	-	-	10,800,000
Net comprehensive loss for the period	-	-	-	(28,800)	(4,278,897)	(4,307,697)
Balance, March 31, 2011	38,776,928	$23,071,329	$ 3,687,421	(28,800)	$ (5,663,414)	$ 21,066,536
Balance, April 1, 2011	38,776,928	$23,071,329	$ 3,687,421	$ (28,800)	$ (5,663,414)	$ 21,066,536
Issued for claims	400,000	420,000	-	-	-	420,000
Issued for private placement	4,652,066	4,423,460	-	-	-	4,423,460
Finders' fees paid in cash	-	(198,200)	-	-	-	(198,200)
Finders' fees paid in warrants	-	(116,057)	116,057	-	-	-
Issued on exercise of options	185,000	80,951	(25,351)	-	-	55,600
Issued on exercise of warrants	72,100	125,574	(53,474)	-	-	72,100
Stock based compensation	-	-	1,241,393	-	-	1,241,393
Net comprehensive loss for the period	-	-	-	180,174	(4,064,753)	(3,884,579)
Balance, March 31, 2012	44,086,094	$27,807,057	$ 4,966,046	$ 151,374	$ (9,728,167)	$ 23,196,310

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

MEADOW BAY GOLD CORPORATION
Consolidated Statements of Cash Flows
Expressed in Canadian dollars
(Audited)

	Year ended March 31, 2012	Year ended March 31, 2011
Cash Flows from (used in) Operating Activities		
Net loss for the year	$ (4,064,753)	$ (4,278,897)
Items not affecting cash		
Depreciation	41,142	-
Stock based compensation	1,241,393	3,060,492
Exploration assets written off	100,000	
Gain on debt settlement	-	(3,296)
Net change in non-cash working capital items		
HST receivable	(91,846)	(59,425)
Prepaid expenses and advances	22,906	(22,906)
Accounts payable and accrued liabilities	(27,738)	392,279
Amounts payable to related parties	-	(1,805)
	(2,778,896)	(913,558)
Cash Flows from (used in) Financing Activities		
Common shares issued for cash	4,551,160	12,321,077
Share issuance costs paid	(198,200)	(851,524)
Advances to related party	-	(52,692)
	4,352,960	11,416,861
Cash Flows from (used in) Investing Activity		
Cash upon acquisition of Desert Hawk Resources Inc.	-	110,533
Exploration costs of resource properties	(4,574,184)	(5,948,862)
Costs of building and equipment	(321,913)	-
Reclamation deposits	(178,021)	-
	(5,074,118)	(5,838,329)
Increase in cash and cash equivalents	(3,500,054)	4,664,974
Cash and cash equivalents, beginning of period	4,724,196	59,222
Cash and cash equivalents, end of period	$ 1,224,142	$ 4,724,196
Supplemental Disclosure of Cash Flow Information		
Shares issued for mineral claims	$ 420,000	$ -
Shares issued for shares in subsidiary	$ -	$ 10,800,000
Warrants issued to brokers	$ 116,057	$ 592,532
Shares issued on debt settlement	$ -	$ 3,295
Interest expense	$ -	$ -
Income taxes	$ -	$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Meadow Bay Gold Corporation (the "Company" or "Meadow Bay") was incorporated under the provisions of the British Columbia Business Corporations Act on March 8, 2005. The Company changes its name from Meadow Bay Capital Corporation on April 4, 2011. The Company's common shares are traded on the TSX Exchange ("Exchange") under the symbol "MAY".

The head office, principal address and records office of the Company are located at Suite 300 – 905 West Pender Street, Vancouver, BC, Canada V6C 1L6.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts capitalized for mineral properties and related deferred exploration expenditures are dependent upon the ability of the Company to raise additional financing in order to complete the exploration and development of its resource properties, the discovery of economically recoverable reserves, the attainment of future profitable production or proceeds from disposition of the Company's resource properties. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to achieve any of the foregoing and continue as a going concern. Any adjustment required to the amounts and reclassification of assets and liabilities may be significant. At March 31, 2012, the Company had not yet achieved profitable operations and has accumulated losses of $9,728,167 (2011-$5,663,414).

Management has estimated that the Company will have adequate funds from existing working capital to meet corporate, administrative and other obligations during the year ending March 31, 2013. The Company will require additional financing as it determines to acquire additional properties or accelerate its work programs. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorized for issue on June 28, 2012 by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance and adoption of International Financial Reporting Standards

The consolidated financial statements represent the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The disclosures related to the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS are included in note 13 to these consolidated financial statements. Note 13 contains reconciliations and descriptions of the effect of the transition from GAAP to IFRS on equity, loss and comprehensive loss, along with reconciliations of the consolidated statements of financial position as at March 31, 2011 and the consolidated statements of loss and comprehensive loss for the year ended March 31, 2011. The first date at which IFRS was applied was April 1, 2010. There was no effect from GAAP to IFRS on the transition date.

(b) Basis of Preparation

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Desert Hawk Resources Inc., incorporated in Nevada. All significant intercompany balances and transactions were eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements of the Company were prepared on the historical cost basis except for certain financial instruments which are measured at fair value as explained in note 2(i).

(c) Use of estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

* the recoverability of the carrying value of exploration and evaluation assets;
* the estimated useful lives and residual value of PPE;
* the inputs used in the Black Scholes valuation model (volatility; interest rate; expected life and forfeiture rate) in accounting for share based payment transactions
* tax interpretations, regulations, and legislation in the various jurisdictions operates are subject to change; and
* determination that there were no material restoration, rehabilitation and environmental exposure exists based on the facts and circumstances.

Management must also make significant judgments or assessments as to how financial assets and liabilities are categorized.

(d) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalent. As at March 31, 2012, the Company had cash equivalents of $832,386. (None were held in cash equivalents in 2011).

(e) Exploration and evaluation assets

All costs related to the acquisition of mineral properties are capitalized as exploration and evaluation assets. The recorded cost of mineral property interests is based on cash paid and the value of share consideration issued for mineral property interest acquisitions.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred include appropriate technical and administrative overheads. Exploration and evaluation assets are carried at historical cost, less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of those assets. Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If, after management review, it is determined that the carrying amount of a mineral property is

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

impaired, that property is written down to its estimated net realizable value. When a property is abandoned, all related costs are written off to operations.

(f) Property, plant and equipment

Property, plant and equipment are initially recorded at cost. As assets are put in production, they are amortized over their estimated useful lives, using a straight line basis. All assets were put into production in the second quarter of fiscal 2012 and are being depreciated over a straight line basis as follows: building - 20 years; mine equipment - 10 years; and, furniture and vehicles - 5 years. The depreciation method, useful life and residual values are assessed annually.

Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognised when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised as an expense as incurred.

(g) Impairment of non-current assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. 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 ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of income.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of income.

(h) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the statements of comprehensive income/loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available. As at March 31, 2012 and March 31, 2011, the Company determined that it did not have material reclamation and remediation obligations.

(i) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company does not have any assets classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost. The Company currently holds no held-to-maturity investments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company currently holds no available-for-sale assets.

Loans and receivables

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

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

(j) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(k) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

The functional currency of the Company's wholly owned subsidiary is the US dollar. The assets and liabilities arising from these operations are translated at current exchange rates and related revenues and expenses at the exchange rates in effect at the time the revenue or expense is incurred. Resulting translation adjustments, if material, are accumulated as a separate component of accumulated other income in the statement of shareholders equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Loss per share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

Due to the losses for the years ended March 31, 2012 and 2011, basic loss per share was equal to dilutive loss per share for the periods presented.

(m) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss. The Company's only component of comprehensive loss is the loss on currency translation.

(n) Share purchase warrants

The Company bifurcates units consisting of common shares and share purchase warrants using the fair value approach whereby it measures the common share component of the unit at fair value using market prices and then measures the warrant value as calculated by a Black Scholes pricing model. The unit value is then allocated proportionately to both the common share and the warrant based on the relative fair value of the two components. The value of the warrant component is credited to contributed surplus. When warrants are exercised, the corresponding residual value is transferred from contributed surplus to capital stock

(o) Stock-based Compensation

The Company grants share-based awards to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and contributed surplus. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of income with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The following IFRS standards have been recently issued by the International Accounting Standards Board ("IASB"): The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

(a) IFRS 9, Financial Instruments

The Standard is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. The standard is the first part of a multi-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The Company has not early-adopted the standard and is currently assessing the impact it will have on the consolidated financial statements.

(b) IFRS 10, Consolidated Financial Statements

In 2011, the IASB issued IFRS 10 which provides additional guidance to determine whether an investee should be consolidated. The guidance applies to all investees, including special purpose entities. The standard is required to be adopted for periods beginning January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

(c) IFRS 11, Joint Arrangements

In 2011, the IASB issued IFRS 11 which presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. The standard is required to be adopted for periods beginning January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

(d) IFRS 12, Disclosure of Interests in Other Entities

In 2011, the IASB issued IFRS 12 which aggregates and amends disclosure requirements included within other standards. The standard requires a company to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is required to be adopted for periods beginning January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

(e) IFRS 13, Fair value measurement

In 2011, the IASB issued IFRS 13 to provide comprehensive guidance for instances where IFRS requires fair value to be used. The standard provides guidance on determining fair value and requires disclosures about those measurements. The standard is required to be adopted for periods beginning January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

(f) IAS 1, Presentation of Items of Other Comprehensive Income

In 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income (OCI) between those that are reclassed to income and those that are not. The standard is required to be adopted for periods beginning on or after July 1, 2012. The amendments are to be applied effective July 1, 2012 and may be early adopted. The amendments are to be applied retroactively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

(g) IAS 12, Income taxes

IAS 12 removes subjectivity in determining which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. Early adoption is permitted. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

(h) IAS 27, Separate Financial Statements

The IASB issued amendments to IAS 27 Separate Financial Statements to coincide with the changes made in IFRS 10, but retains the current guidance for separate financial statements. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2013. The standard does not impact the consolidated financial statements.

(i) IAS 28, Investments in Associates and Joint Ventures

The lASB issued amendments to lAS 28 Investments in Associates and Joint Ventures to coincide with the changes made in IFRS 10 and IFRS 11.

(j) IFRS 7, Financial Instruments: Disclosures

In 2011, IASB issued amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosure requirements for the offsetting of financial assets and liabilities when offsetting is permitted under IFRS. The disclosure amendments are required to be adopted retrospectively for periods beginning January 1, 2013.

(k) IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is a new interpretation on the accounting for waste removal activities. The interpretation considers when and how to account separately for the benefits arising from a stripping activity, as well as how to measure such benefit. The interpretation generally requires that costs from a stripping activity which improve access to ore to be recognized as a non-current asset when certain criteria are met and should be accounted as an addition to the related asset. The Company does not expect the standard to impact its consolidated financial statements.

4. EXPLORATION AND EVALUATION ASSETS

	Atlanta Gold and Silver Mine	Colorback Gold	Spruce Mountain
Balance, April 1, 2010	-	-	-
Acquisition costs	$ 16,308,592	$ 49,930	$ 39,332
Foreign exchange	(28,800)		
Balance, March 31, 2011	16,279,792	49,930	39,332
Acquisition costs	669,775	50,000	35,000
Foreign exchange	169,425	70	56
Exploration:			
Assaying costs	335,907	-	-
Geological consulting	506,635	-	-
Drilling costs	3,180,335	-	-
Sampling costs	227,155	-	-
	4,250,032	-	-
Exploration costs written off	-	(100,000)	-
Balance, March 31, 2012	21,369,024	-	74,388

Atlanta Gold and Silver Mine Property

On March 1, 2011 the Company completed the purchase of all of the outstanding shares of Desert Hawk Resources Inc which in turn owned the Atlanta Gold Project. The property consists of 49 unpatented lode claims located in Lincoln County Nevada, approximately 250 km northeast of Las Vegas. Desert Hawk Resources Inc completed the purchase of the Atlanta Mine by completing the purchase for the total sum of $6,000,000US. The acquisition cost includes a 3% NSR royalty capped at 4,000 ounces. The acquisition included equipment on site, including a crusher, ball mills, solution tanks, power, and various other items.

On June 30, 2011 the Company entered into an agreement to acquire 135 unpatented mining claims contiguous with the Company's Atlanta property. A total of $250,000 US was paid plus issuance of 400,000 shares of common stock for this acquisition. The fair value of the shares at time of the purchase was $420,000. The agreement also includes a 3% NSR, for which the Company has the option to repurchase 15 for $1,000,000 US for a period of five years.

During the year ended March 31, 2012, the Company staked additional claims in the Atlanta district and currently possesses a total of 655 mineral claims in and around the Atlanta mine site for a total of approximately 12,000 acres. In addition to the original 13 patented and 49 unpatented claims acquired at acquisition, and in addition to the 135 unpatented mining claims acquired in June 2011, the Company has staked 217 Lily Claim Group Claims, 4 Bluebird Claim Group, 5 NFL Claim Group, 30 PEG Claim Group, 40 SNO Claim Group and 44 C&B Claim Group, 73,LSH Claim Group, and 45 Lauren Claim Group Claims

Colorback Gold Lease/purchase Property

This property is a disseminated gold exploration project located on the east slope of the Shoshone Range, 16 kms southwest of Crescent Valley. It contains 120 unpatented lode claims in the Cortez - Battle Mountain Trend, 12 miles north of the Pipeline deposit. The Colorback property is host to both surface gold targets and a lower-plate Carlin-style gold system.

4. EXPLORATION AND EVALUATION ASSETS (Continued)

The lease agreement includes a 2.5% NSR royalty and calls for advanced royalty payments of $50,000US per year for the first five years, $75,000US per year for the next 5 years, and $100,000US per year for the final 10 years. During the first five years of the agreement, the property may be purchased for $1 million US, including any advanced royalty payments paid. Following the first 5 years, the property may be purchased for $5 million US, including any advanced royalty payments. If the Company purchases the property, the NSR royalty decreases to 2%.

The Company has no immediate plans to explore further on this property and, accordingly, has determined it is impaired and written it off to operations.

Spruce Mountain Gold and Silver Project

This property is located in Elko County, Nevada and is comprised of 63 unpatented lode claims adjacent and overlapping with a 100-million ton copper-molybdenum resource. The property is a porphyry mily deposit with a silver skarn on the west side and a porphyry copper deposit in the centre of the project. The silver skarn and the copper deposit are untested to date.

The lease agreement includes a 3% NSR royalty and calls for advanced royalty payments as follows (in US dollars):

2013	40,000
2014	45,000
2015	50,000
2016 to 2030 (total)	1,350,000

5. PROPERTY PLANT AND EQUIPMENT

	Mine equipment	Mine buildings	Vehicles	Furniture and fixtures	Water system
Costs:					
Balance, April 1, 2010	-	-	-	-	-
Additions	$ 293,167	$ -	$ -	$ -	$ -
Disposals	-	-	-	-	-
Balance, March 31, 2011	293,167	-	-	-	-
Additions	-	244,098	36,707	8,208	32,899
Disposals	-	-	-	-	-
Balance, March 31, 2012	293,167	244,098	36,707	8,208	32,899

	Mine equipment	Mine buildings	Vehicles	Furniture and fixtures	Water system
Depreciation:					
Balance, April 1, 2010	-	-	-	-	-
Change for the period	$ -	$ -	$ -	$ -	$ -
Estimated on disposal	-	-	-	-	-
Balance, March 31, 2011	-	-	-	-	-
Change for the period	21,987	11,598	5,505	1,230	822
Estimated on disposal	-	-	-	-	-
Balance, March 31, 2012	21,987	11,598	5,505	1,230	822
Carrying amounts:					
April 1, 2010	-	-	-	-	-
March 31, 2011	293,167	-	-	-	-
March 31, 2012	271,180	232,500	31,202	6,978	32,077

6. RECLAMATION DEPOSITS

As at March 31, 2012, the Company had reclamation deposits with the Bureau of Land Management totaling $178,021 (March 31, 2011 - $Nil; April 1, 2010 - $Nil) with regard to the Atlanta Gold and Silver Mine property.

7. SHARE CAPITAL

(a) The authorized capital of the Company consists of:

Unlimited number of common shares without par value.

7. SHARE CAPITAL (continued)

(b) The Company's issued and outstanding capital stock is as follows:

As at March 31, 2012, there were 44,086,094 issued and fully paid common shares (March 31, 2011 – 38,776,928; April 1, 2010 – 6,401,209).

During the fiscal year ended March 31, 2011, the Company completed the following share transactions:

i) On June 17, 2010, the Company completed a private placement by issuing 6,380,000 units for $.08 per unit for gross proceeds of $510,000. Each unit comprised one share and one share warrant, entitling the holder to purchase one additional share for a period of 5 years from the date of closing at a price of $.10 per share. During the year all warrants were exercised for proceeds of $638,000.

ii) On June 30, 2010, the Company issued 21,969 shares for debt of $6,591. The shares had a fair value of $3,295 at the time of issuance.

iii) During the year, 780,000 options were exercised for proceeds of $117,000.

iv) On March 1, 2011, the Company completed a private placement by issuing 11,313,750 shares at $1US for gross proceeds of $11,055,677.

v) On March 1, 2011, the Company completed its purchase of 100% of the shares of Desert Hawk Resources inc. by issuing 7,500,000. The value of the stock at the time of purchase was $1.44 per share.

During the year ended March 31, 2012, the Company completed the following share transactions:

i) On June 30, 2011, the Company issued 400,000 common shares at a fair value of $420,000 pursuant to an agreement in which it obtained 135 unpatented mining claims contiguous with claims of the Atlanta Gold Mine.

ii) On October 6, 2011, The Company completed a private placement by issuing 2,286,066 shares at $0.90 per share for gross proceeds of $2,057,460. The Company paid finders' fees of $54,000 cash and 60,000 finders' warrants, with each finder's warrant entitling the holder to purchase one common share of the Company for a period of 2 years at an exercise price of $0.90 per shares. The warrants were valued at $43,968 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable.

iii) On November 14, 2011, The Company completed a private placement by issuing 2,366,000 shares at $1.00 per share for gross proceeds of $2,366,000. The Company paid finders' fees of $144,200 cash and 97,200 finders' warrants, with each finder's warrant entitling the holder to purchase one common share of the Company for a period of 1 year at an exercise price of $1.00 per shares. The warrants were valued at $72,089 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable

iv) During the year, 185,000 options were exercised for gross proceeds of $55,600. Previously calculated and recorded benefits on those options of $25,351 were eliminated from contributed surplus and credited to share capital.

v) During the year, 72,100 broker warrants were exercised for gross proceeds of $72,100. Previously calculated and recorded benefits on those warrants of $53,474 were eliminated from contributed surplus and credited to share capital

(c) Escrow shares

As at March 31, 2012, there were no (2011 – 100,000) shares held in escrow pursuant to an escrow agreement dated August 4, 2006 in which 10% would be released on August 22, 2008, the date the qualifying transaction was completed and 15% every 6 months thereafter up to August 22, 2011 when the agreement concluded.

7. SHARE CAPITAL (continued)

As at March 31, 2012, there were no (2011 – 70,406) shares held in escrow pursuant to an escrow agreement dated August 1, 2008 in which 10% would be released on August 22, 2008, the date the qualifying transaction was completed and 15% every 6 months thereafter up to August 22, 2011 when the agreement concluded.

(d) Stock Options

Upon approval of the Company's shareholders, the Company has adopted an incentive rolling stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan up to a maximum of 10% of the un-issued and outstanding shares of the Company at any time, less shares required to be reserved with respect to options granted by the Company prior to the implantation of the Plan. Options granted under the Plan may have a maximum term of five (5) years. The exercise price of options granted under the Plan will not be less than the closing price of the Company's shares on the TSX Venture Exchange (the "Exchange") on the trading day immediately before the date of grant, less the discount permitted under the Exchange's policies.

A summary of the status of the Company's outstanding stock options as a March 31, 2012 is as follows:

Options	Number of Shares	Exercise Price	Expiry Date
As At March 31, 2012			
50,000	50,000	$ 0.15	September 16, 2015
230,000	230,000	$ 0.15	January 11, 2016
1,145,000	1,145,000	$ 1.16	January 27, 2016
1,650,000	1,650,000	$ 1.24	March 13,2016
690,000	690,000	$ 0.98	September 30, 2016
250,000	250,000	$ 1.00	October 15, 2012
25,000	25,000	$ 1.20	November 14, 2014
325,000	325,000	$ 1.00	January 24, 2014

The following is a summary of stock option issues and outstanding is as follows:

	Options Outstanding #	Weighted Average Exercise Price $
Balance, exercisable and outstanding, April 1, 2010	75,000	$ 0.30
Granted	4,365,000	1.05
Exercised	780,000	0.15
Forfeited	-	-
Balance, exercisable and outstanding, March 31, 2011	3,660,000	1.07
Granted	1,460,000	1.00
Exercised	185,000	0.30
Forfeited	570,000	1.17
Balance, exercisable and outstanding, March 31, 2012	4,365,000	1.08

7. SHARE CAPITAL (continued)

The fair values of the stock options granted were estimated on the respective grant dates using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2012	2011
Risk-free interest rate	0.88%-2.51%	1.70%
Expected life of options	2 - 5 years	2.5 years and 4 years
Annualized volatility	132.3%-273.7%	104.9% - 123.5%
Dividend rate	0%	0%

The Black-Scholes valuation model was developed for use in estimating the fair value of traded options which are fully transferable and freely traded. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

(e) Warrants

A summary of the status of the Company's outstanding warrants as at March 31, 2012 is as follows:

Warrants	Number of Shares	Exercise Price	Expiry Date
699,913,	699,913	$ 1.00	December 31, 2012
60,000	60,000	$ 1.90	October 15, 2012
97,200	97,200	$ 1.00	November 13, 2012
857,113	857,113		

The following is a summary of stock option issues and outstanding is as follows:

	Warrants Outstanding #	Weighted Average Exercise Price $
Balance, exercisable and outstanding, April 1, 2010	-	$ -
Granted	772,013	1.00
Exercised	-	-
Forfeited	-	-
Balance, exercisable and outstanding, March 31, 2011	772,013	1.00
Granted	157,200	1.00
Exercised	72,100	1.00
Forfeited	-	-
Balance, exercisable and outstanding, March 31, 2012	857,113	1.00

7. SHARE CAPITAL (continued)

The agents of the private placement completed March 1, 2011 were granted non-transferable warrants entitling them to acquire up to 772,013 common shares at a prices of $1.00 per share on or before December 31, 2012. The Company recognized $592,532 of stock based compensation on the granting of these warrants as share issuance costs, with the credit being allocated to contributed surplus

The agents of the private placement completed October 5, 2011 were granted non-transferable warrants entitling them to acquire up to 60,000 common shares at a prices of $0.90 per share on or before October 2, 2013. The Company recognized $43,968 of stock based compensation on the granting of these warrants as share issuance costs, with the credit being allocated to contributed surplus.

The agents of the private placement completed November 13, 2011 were granted non-transferable warrants entitling them to acquire up to 97,200 common shares at a prices of $1.00 per share on or before November 13, 2012. The Company recognized $72,089 of stock based compensation on the granting of these warrants as share issuance costs, with the credit being allocated to contributed surplus.

The following assumptions were used for the Black-Scholes valuation of compensatory warrants granted during the periods ended:

	2012	2011
Risk-free interest rate	0.91% - 0.93%	1.79%
Expected life of options	1 - 2 years	1.79 years and 1.84
Annualized volatility	155.53% - 163.8%	95%
Dividend rate	0%	0%

(f) Loss per share

Basic loss per share is computed by dividing net loss for the year, applicable to common shareholders, by the weighted average number of common shares outstanding for the year, including contingently issuable shares when the conditions necessary for the issuance have been met. Diluted loss per share is calculated in a similar number except that the weighted average number of common shares outstanding is increased to include potential common shares from the assumed exercise of options, warrants and convertible securities, if dilutive.

	2012	2011
Loss per share - basic and diluted	$ 0.10	$ 0.29
Loss for the year	4,064,753	4,278,897
	#	#
Weighted average number of shares outstanding:		
Issued common shares, beginning of period	38,776,928	6,401,209
Options exercised	98,087	47,288
Warrants exercised	6,193	5,016,603
Private placements	2,010,365	2,643,647
Shares issued for evaluation and exploration assets	301,640	-
Shares issued for acquisition of subsidiary	-	616,438
Shares issued as finders' fees	-	16,492
Weighted average number of shares - basic and diluted	41,193,213	14,741,677

8. RELATED PARTY BALANCES AND TRANSACTIONS

The following table summarizes services provided by directors and officers of the Company and balances due to them, not otherwise noted in the consolidated financial statements for the years ended March 31, 2012 and 2011.

	2012	2011
Consulting fees paid to president, CEO	135,000	25,000
Rent paid to secretary	6,750	9,000
Consulting fees paid to secretary	5,000	-
Geological fees paid to director	66,000	-
Consulting fees paid CFO	36,500	11,781
Consulting fees paid to director	6,780	-

The following related party amounts are included in accounts payable and accrued liabilities:

	2012	2011	2010
Companies controlled by officers of the company	$ 5,600	$ -	$ -
Payable to the former president for reimbursement of expenses	-	-	1,805

9. INCOME TAXES

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The difference between the "expected" income tax expense and the actual income tax provision are summarized as follow:

	2012	2011 (Note 13)
Statutory rate	26.13%	28%
Expected income taxes recovery at the statutory rate	$ (1,061,917)	$ (1,198,091)
Tax benefit from share issuance costs not recognized	(51,779)	(212,881)
Stock based compensation not deductible for tax purposes	324,314	856,938
Permanent differences	2,526	80,800
Effect of change in tax rate	(83,987)	61,016
Revision to tax account estimates	-	(14,785)
Benefit not recognized through increase in deferred tax asset not recognized	870,843	427,003
Income tax (recovery) expense recognized in the year	$ -	$ -

9. INCOME TAXES (Continued)

The tax effects of deductible and taxable temporary differences that give rise to the Company's deferred tax assets are as follows:

	2012	2011 (Note 13)	2010
Canada			
Non-capital loss carry forwards	$ 825,615	$ 390,889	$ 134,000
Exploration expenditure tax pools	71,886	71,886	85,000
Tax value of share issuance costs in excess of book value	171,489	178,545	-
	1,068,990	641,320	219,000
Less: Deferred tax asset not recognized	(1,068,990)	(641,320)	(219,000)
Deferred tax assets (liabilities) - Canada	$ -	$ -	$ -
US			
Net operating loss carry forwards	$ 431,141	$ 35,957	$ -
Exploration expenditure tax pools	34,000	-	-
Tax value of property plant equipment in excess of book value	13,989	-	-
	479,130	35,957	-
Less: Deferred tax asset not recognized	(479,130)	(35,957)	
Deferred tax assets (liabilities) - US	$ -	$ -	$ -

The difference between the benefit not recognized through increase in deferred tax asset and the change from deferred tax asset not recognized in 2010 to 2011 of $31,274 represented the US net operating losses acquired in the acquisition of the subsidiary in 2011 and the deferred tax asset was not recognized at the time of acquisition.

As at March 31, 2012, the Company has Canadian accumulated non-capital losses for tax purposes of approximately $3,302,463 (2011 - $1,563,557) that may be applied against future taxable income for Canadian income tax purposes. The potential future tax benefits of these losses have not been recorded in these financial statements. The losses expire as follows:

2015	$ 2,056
2026	23,046
2027	76,450
2028	21,828
2029	188,541
2030	138,541
2031	1,113,095
2032	1,738,906
	$ 3,302,463

9. INCOME TAXES (Continued)

The Company has approximately $298,942 (2011 - $287,400) of Canadian Exploration Expenses, Canadian Development Expenses, Canadian Oil & Gas Property Expenses and Foreign Exploration & Development Expenses that may be carried forward and deducted from income indefinitely.

The Company has not recognized any future benefit for these tax losses as it is not considered likely that they will be utilized.

The Company's US subsidiary carried net operating losses for US income tax purposes of $1,290,051 (2011- $105,757), which may be carried forward to apply against future income tax in US, expiring in the year of 2032.

10. FINANCIAL INSTRUMENTS

(a) Fair values

The Company’s financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities. Cash and cash equivalents are classified as loans and receivables and are carried at their amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities and are carried at their amortized cost.

The carrying value of the Company’s financial assets and liabilities approximates their fair value due to the relatively short periods to maturity of these investments. Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

10. FINANCIAL INSTRUMENTS (continued)

			March 31, 2012	
	Category	Carrying value	Amount	Fair value hierarchy
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,224,142	N/A
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	380,249	N/A

			March 31, 2011	
	Category	Carrying value	Amount	Fair value hierarchy
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 4,724,196	N/A
Prepaid expenses and advances	Loans and receivables	Amortized cost	22,906	N/A
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	407,987	N/A

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian financial institutions. As at March 31, 2012 all cash and cash equivalents were over the federally insured limit.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by maintaining adequate cash balances and by raising equity financing. The Company has no assurance that such financing will be available on favourable terms. The Company believes it is subject to liquidity risk through its working capital. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing through the issuance of common shares. As at March 31, 2012, the Company had cash and cash equivalents of $1,224,142 to settle accounts payable of $380,249 which fall due for payment within twelve months of the balance sheet date. All of the Company's contractual obligations are current and due within one year.

(d) Foreign exchange risk

Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has material transactions designated in a foreign currency. However, the foreign currency has been very stable when compared to the Canadian dollar and therefore management considers the foreign exchange risk to be minimal.

At March 31, 2012, approximately $189,933 of the Company's cash and cash equivalents were denominated in U.S. dollars. A 10% variation in the U.S. dollar would result in an impact of approximately $19,000 on net income.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash and cash equivalents are currently held in cash and therefore management considers the interest rate risk to be minimal.

10. FINANCIAL INSTRUMENTS (continued)

(f) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

11. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares or debt or sell assets to settle liabilities.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

The Company has no debt and is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the year ended March 31, 2011.

12. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the properties purchased from Desert Hawk, which are in Nevada USA.

The Company's capital assets by geographic location are as follows:

	2012 $	2011 $
Canada	-	-
USA	573,938	293,167
	573,938	293,167

13. TRANSITION TO IFRS

The Company adopted IFRS on April 1, 2011, with the transition date of April 1, 2010, representing the Company's opening IFRS balance sheet. Prior to the adoption of IFRS, the Company prepared its consolidated financial statements in accordance with GAAP. The accounting policies set out in note 2 have been applied in preparing the consolidated financial statements for the years ended March 31, 2012 and 2011 and in the preparation of the opening IFRS balance sheet as at April 1, 2010.

The Company applied IFRS 1, *First-time Adoption of IFRS*, in preparing these first IFRS consolidated financial statements. In preparing the opening IFRS statement of financial position, the Company adjusted amounts previously reported in the consolidated financial statements prepared in accordance with GAAP. This note explains the principal adjustments made by the Company in restating its previously published GAAP consolidated financial statements for the year ended March 31, 2011. The changes did not have affect on the statement of financial position as at April 1, 2010 (Transaction Date) and therefore reconciliation of that statement has not been disclosed.

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Optional exemptions:

Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, "Share-based Payment" to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to April 1, 2010.

Mandatory exceptions:

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

Reconciliation between GAAP and IFRS

In preparing the opening IFRS statement of financial position and the financial statements for the year period ended March 31, 2012, the Company identified certain adjustments to the amounts reported previously in the financial statements in accordance with Canadian GAAP. IFRS requires an entity to reconcile equity, comprehensive loss, and cash flows for prior periods. The adjustments were as follows:

(1) Deferred (Future) income taxes

The Company has previously acquired Desert Hawk Resources Inc. (Note 4), which was in substance an asset acquisition. The Company purchased assets where the carrying value of the asset on initial recognition differs from the tax value of the asset on initial recognition. Under Canadian GAAP, a future tax liability is recognized for the resulting temporary difference, with a corresponding increase to the value of the asset recorded. IAS 12, "Income Taxes", does not permit the recognition of a deferred income tax asset or liability resulting from differences between the carrying value and tax value of an asset or liability on initial recognition. As a result, deferred income tax liability recognized in the year ended March 31, 2011 has been reduced by $5,481,776; resource property has been reduced by $5,335,446; property plant and equipment has been reduced by $151,025 and deferred income tax recovery of $4,695 has been eliminated.

13. TRANSITION TO IFRS (continued)

(2) Translation of foreign subsidiaries

Assets and liabilities of foreign entities are to be translated at the closing rate at the date of the statement of financial position. Income and expenses are to be translated at the rates at the dates of the transaction. Resulting exchange differences are recognized as other accumulated income. As the Company had recorded non monetary assets at the transaction date, an adjustment was required to translate the amounts using the statement of financial position date. As a result, resource properties were reduced by $28,800 and other comprehensive loss of that amount was recognized.

The adjustments did not result in any material adjustments to net cash flows, and therefore, reconciliation of the statements of cash flows has not been disclosed.

13. TRANSITION TO IFRS (continued)

Reconciliation of statement of financial position as at March 31, 2011 is as follows:

	Canadian GAAP	Effect of Transition to IFRS	Note	IFRS
ASSETS				
Current assets				
Cash and cash equivalents	$ 4,724,196	-		$ 4,724,196
HST receivable	65,200	-		65,200
Prepaid expenses	22,906	-		22,906
	4,812,302			4,812,302
Property, plant and equipment				
Resource property	21,733,300	(5,364,246)	(1) (2)	16,369,054
Property plant and equipment	444,192	(151,025)	(1)	293,167
	22,177,492	(5,515,271)		16,662,221
	$ 26,989,794	($ 5,515,271)		$ 21,474,523
LIABILITIES				
Accounts payable and accrued liabilities	$ 407,987	-		$ 407,987
Amounts payable to related parties	-	-		-
	407,987	-		407,987
FUTURE INCOME TAXES PAYABLE	5,481,776	(5,481,776)	(1)	-
	5,889,763	(5,481,776)		407,987
SHAREHOLDERS' EQUITY				
Share capital	23,071,329	-		23,071,329
Contributed surplus	3,687,421	-		3,687,421
Accumulated other comprehensive loss		(28,800)	(2)	(28,800)
Deficit	(5,658,719)	(4,695)	(2)	(5,663,414)
	21,100,031	(33,495)		21,066,536
	$ 26,989,794	$ (5,515,271)		$ 21,474,523

13. TRANSITION TO IFRS (continued)

Reconciliation of statements of loss and comprehensive loss for the year ended March 31, 2011 is as follows:

	Canadian GAAP	Effect of Transition to IFRS	Note	IFRS
Operating expenses				
Administration	$ 27,460	$ -		$ 27,460
Consulting	282,809	-		282,809
Professional fees	501,958	-		501,958
Geological consulting	35,061	-		35,061
Stock base compensation	3,060,492	-		3,060,492
Promotion and investor relations	202,438	-		202,438
Travel	27,741	-		27,741
Transfer agent and filing	101,518	-		101,518
Foreign exchange	49,333	-		49,333
	4,288,810	-		4,288,810
Operating loss before other items	(4,288,810)	-		(4,288,810)
Other income (expenses)				
Interest income	6,617	-		6,617
Gain on debt settlement	3,296	-		3,296
Net loss before future income tax recovery	(4,278,897)	-		(4,278,897)
Future income tax recovery	(4,695)	4,695	(1)	-
Net loss and comprehensive loss for the year	$ (4,274,202)	$ (4,695)		$ (4,278,897)

14. SUBSEQUENT EVENT

On June 19, 2012, the Company announced the completion of a non-brokered private placement. It issued 1,500,000 units at a deemed price of US$0.60 per unit for gross proceeds of US$900,000. Each unit consisted of one common share at US$0.60 plus one warrant to purchase one share at US$0.75 per share for a period of two years.