Silver Sun Resource Corp.

Consolidated Financial Statements

For the year ended April 30, 2012 and 2011
(Expressed in Canadian Dollars)

CHARTERED ACCOUNTANTS
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Independent Auditor's Report

To the Shareholders of
Silver Sun Resource Corp.

We have audited the accompanying consolidated financial statements of Silver Sun Resource Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at April 30, 2012, April 30, 2011, and May 1, 2010, and the consolidated statements of operations and comprehensive loss, changes in equity (deficit), and cash flows for the years ended April 30, 2012 and April 30, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditor's 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 in our audits 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 Silver Sun Resource Corp. and its subsidiaries as at April 30, 2012, April 30, 2011, and May 1, 2010 and its financial performance and its cash flows for the years ended April 30, 2012 and April 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Silver Sun Resource Corp. to continue as a going concern.

"MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
August 27, 2012

SILVER SUN RESOURCE CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	April 30, 2012	April 30, 2011 (note 17)	May 1, 2010 (note 17)
ASSETS			
Current			
Cash	**$ 5,952**	$ 507,807	$ 627,853
Short term investment (note 4)	**-**	800,000	-
Amounts receivable (note 5)	**81,913**	32,346	26,538
Prepaid expenses	**12,096**	-	165,600
	99,961	1,340,153	819,991
Non-current			
Property, plant and equipment (note 6)	**134,946**	51,000	-
Exploration and evaluation assets (note 7)	**1,606,767**	1,470,479	87,500
TOTAL ASSETS	**$ 1,841,674**	$ 2,861,632	$ 907,491
LIABILITIES			
Current			
Accounts payable and accrued liabilities (note 8)	**$ 105,559**	$ 32,945	$ 21,911
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital (note 9)	**5,725,782**	4,077,278	1,433,950
Reserves	**851,100**	836,478	99,975
Accumulated deficit	**(4,851,307)**	(2,085,069)	(648,345)
Accumulated other comprehensive loss	**10,540**	-	-
	1,736,115	2,828,687	885,580
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**$ 1,841,674**	$ 2,861,632	$ 907,491

These consolidated financial statements were authorized for issue by the Board of Directors on August 27, 2012. They are signed on the Company's behalf by:

"*Mark McLeary*"
____
Mark A. McLeary, CEO, President, and Director

"*Tom Kordyback*"
____
Tom Kordyback, CFO, Director

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

SILVER SUN RESOURCE CORP.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	For year ended April 30, 2012	For year ended April 30, 2011 (note 17)
EXPENSES		
Bank charges	**$ 2,472**	$ 1,606
Depreciation (note 6)	**46,231**	-
Exploration and evaluation costs (note 7)	**1,100,200**	35,920
Insurance	**8,334**	-
Investor relations	**23,000**	-
Management and consulting fees (note 11)	**292,472**	211,750
Office, administrative and travel expenses (note 11)	**120,560**	89,738
Professional fees	**173,282**	77,288
Salaries and benefits	**6,563**	-
Share-based compensation (note 9(e) and 11)	**495,482**	843,892
Transfer agent, listing and filing fees	**75,927**	24,995
	2,344,523	1,285,189
Loss before other items	**(2,344,523)**	(1,285,189)
OTHER INCOME (EXPENSES)		
Finance costs	**(1,940)**	-
Finance income	**4,112**	2,904
Foreign exchange gain (loss)	**(28,516)**	-
Write-off of exploration and evaluation assets (note 7)	**(564,000)**	(160,000)
	(590,344)	(157,096)
NET LOSS	**(2,934,867)**	(1,442,285)
OTHER COMPREHENSIVE LOSS		
Foreign currency translation differences for foreign operations	**10,540**	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$ (2,924,327)**	$ (1,442,285)
Basic and diluted net loss per share	**$ (0.06)**	$ (0.04)
Weighted average number of common shares outstanding	**46,027,697**	32,101,163

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

SILVER SUN RESOURCE CORP.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

			Reserves			Accumulated Other Comprehensive Loss		
	Number of Common Shares	Share Capital	Equity settled share based payment reserve	Reserve for warrants	Total	Cumulative Translation Reserve	Accumulated Deficit	Total Shareholders' Equity
Balance, May 1, 2010 (note 17)	**23,500,000**	**$ 1,433,950**	**$ 64,511**	**$ 35,464**	**$ 99,975**	**$ -**	**$ (648,345)**	**$ 885,580**
Shares issued for exploration and evaluation assets (note 7(c))	2,000,000	160,000	-	-	-	-	-	160,000
Shares issued for exploration and evaluation assets (note7(b)(ii))	2,700,000	864,000	-	-	-	-	-	864,000
Exercise of warrants for cash	14,085,000	1,413,500	-	-	-	-	-	1,413,500
Fair value of warrants exercised	-	35,464	-	(35,464)	(35,464)	-	-	-
Exercise of options for cash	950,000	104,000	-	-	-	-	-	104,000
Fair value of options exercised	-	66,364	(66,364)	-	(66,364)	-	-	-
Fair value of options cancelled	-	-	(5,561)	-	(5,561)	-	5,561	-
Share-based compensation	-	-	843,892	-	843,892	-	-	843,892
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(1,442,285)	(1,442,285)
Balance, April 30, 2011 (note 17)	**43,235,000**	**$ 4,077,278**	**$ 836,478**	**$ -**	**$ 836,478**	**$ -**	**$ (2,085,069)**	**$ 2,828,687**
Shares issued for exploration and evaluaiton assets and equipment (note 78(a))	1,450,000	645,000	-	108,073	108,073	-	-	753,073
Exercise of warrants for cash	498,000	74,700	-	-	-	-	-	74,700
Exercise of options for cash	2,000,000	508,500	-	-	-	-	-	508,500
Fair value of options exercised	-	420,304	(420,304)	-	(420,304)	-	-	-
Fair value of options cancelled	-	-	(150,478)	-	(150,478)	-	150,478	-
Fair value of options expired		-	(18,151)	-	(18,151)	-	18,151	-
Share-based compensation	-	-	495,482	-	495,482	-	-	495,482
Net loss and comprehensive loss for the year	-	-	-	-	-	10,540	(2,934,867)	(2,924,327)
Balance, April 30, 2012	**47,183,000**	**$ 5,725,782**	**$ 743,027**	**$ 108,073**	**$ 851,100**	**$ 10,540**	**$ (4,851,307)**	**$ 1,736,115**

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

SILVER SUN RESOURCE CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	For year ended	
	April 30, 2012	April 30, 2011
		(note 17)
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	**$ (2,934,867)**	$ (1,442,285)
Adjustments for items not affecting cash:		
Depreciation	**46,231**	-
Share-based compensation	**495,482**	843,892
Foreign exchange loss	**28,516**	-
Write-off of exploration and evaluation assets	**564,000**	160,000
Finance income received	**(3,700)**	
	(1,804,338)	(438,393)
Net changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	**(61,663)**	159,793
Accounts payable and accrued liabilities	**72,614**	11,033
	(1,793,387)	(267,567)
FINANCING ACTIVITIES		
Cash received on exercise of options	**508,500**	104,000
Cash received on exercise of warrants	**74,700**	1,413,500
	583,200	1,517,500
INVESTING ACTIVITIES		
Redemption (purchase) of short-term investment	**800,000**	(800,000)
Finance income received on redemption of short-term investment	**3,700**	-
Purchase of property, plant and equipment	**(81,248)**	(51,000)
Acquisition expenditures on exploration and evaluation assets	**-**	(518,979)
	722,452	(1,369,979)
Decrease in cash	**(501,855)**	(120,046)
Cash, beginning of the ear	**507,807**	627,853
Effect of exchange rate fluctuations on cash held	**(14,120)**	-
Cash, end of the year	**$ 5,952**	$ 507,807

Supplemental cash flow information (note 14)

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

1. NATURE OF OPERATIONS

Silver Sun Resource Corp. (the "Company"), is a public company incorporated under the laws of the Province of British Columbia, Canada on March 14, 2007. The Company is listed on the TSX Venture Exchange (“TSX”) under the trading symbol “SSU”, on the Frankfurt Stock Exchange under the trading symbol “SS6” and on the OCTBB under the symbol “SSUXF”. The Company is in the business of exploring mineral properties, including: the Cherry Hill Gold mining claims in Siskiyou County, northern California; and the Yoreme mineral claim located in the Municipality of Alamos, state of Sonora, Mexico.

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

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its exploration and evaluation assets, and to commence profitable operations in the future. To date the Company has not generated any revenues and is considered to be in the exploration stage. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Further discussion of liquidity risk has been disclosed in Note 15(b).

Management is also aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company’s ability to continue to finance its activities. It is expected that the Company’s current cash position will not be sufficient to fund its needs for the near future as the Company has negative working capital of $5,598. Therefore management plans to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs.

2. BASIS OF PREPARATION

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). IFRS accounting standards include interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and its predecessor. These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS that are published at the time of preparation and that are effective and some that are available for early adoption on April 30, 2012.

These are the Company’s first IFRS consolidated financial statements. Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). Canadian GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRS. Note 17 contains reconciliations and a discussion of the effect of the transition from Canadian GAAP to IFRS on equity, operations and comprehensive loss along with reconciliations of the statements of financial position as at May 1, 2010 and April 30, 2011 and summary reconciliations of the statements of operations and comprehensive loss and statements of cash flows for the year ended April 30, 2011.

2. BASIS OF PREPARATION (continued)

b) Basis of presentation

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

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They have also been applied in preparing an opening IFRS statement of financial position at May 1, 2010 for the purpose of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards* (IFRS 1). The impact of the transition from Canadian GAAP to IFRS is explained in Note 17.

c) Foreign Currencies

i) *Presentation and functional currency*

The presentation currency of the Company and its subsidiaries is the Canadian Dollar.

The functional currency of the Company, its Mexican subsidiary, and the American subsidiary, Cherry Hill Holdings LLC, is the Canadian Dollar while the functional currency of the Company's other two American subsidiaries, Golden Sun LLC and Lucky Boy Resources LLC, is the US Dollar.

ii) Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position 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.

iii) Foreign operations

Subsidiaries that have a functional currency other than the Canadian Dollar translate their statement of operations into Canadian dollars at the exchange rate at the date of transaction. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in the Cumulative Translation Reserve.

For the purpose of foreign currency translation, the net investment in a foreign operation is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future. The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is recognized in the statement of operations and comprehensive loss at the time of disposal.

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgements and estimates

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

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:

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. An impairment loss of $564,000 was recognized during the year ended April 30, 2012 (April 30, 2011 – $160,000).

Useful life of property, plant and equipment

Property, plant and equipment is depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of equipment. Total carrying value of property, plant and equipment at April 30, 2012 is $134,946 (April 30, 2011 - $51,000), (May 1, 2010 - $nil).

Share-based compensation

Management is required to make certain estimates when determining the fair value of share 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 consolidated statements of operations and comprehensive loss. For the year ended April 30, 2012 the Company recognized share-based compensation expense of $495,482 (April 30, 2011 - $843,892).

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

Exploration and evaluation assets

Management is required to apply judgement 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 April 30, 2012 and April 30, 2011 management had determined that no reclassification of exploration and evaluation assets was required.

Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements 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 consolidated financial statements.

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgements and estimates (continued)

Foreign currency translation

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of Lucky Boy Resources LLC and Golden Sun LLC is US dollars and for all other entities within the Group, the functional currency is Canadian dollars, as these are the currencies of the primary economic environment in which the companies operate.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its Mexican and American subsidiaries.

	Ownership Interest	Jurisdiction	Nature of Operations
Minera Plata Del Sol S.A. de C.V	100%	Mexico	Exploration Company
Golden Sun, LLC.	100%	Wyoming; USA	Holding Company
Cherry Hill Holdings, LLC	100%	California; USA	Holding Company
Lucky Boy Resources, LLC	100%	California; USA	Exploration Company

Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

b) 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.

Financial assets

The Company classifies its financial assets into one of the following 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:

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 profit or loss for the period.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial Instruments (continued)

Financial assets (continued)

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 profit or loss for the period.

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 profit or loss for the period.

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, other than 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.

Financial liabilities

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

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 profit or loss for the period.

Other financial liabilities: This category includes accounts payable and accrued liabilities, which are recognized at amortized cost.

c) 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.

d) Exploration and evaluation assets

Acquisition costs for exploration and evaluation assets, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for exploration and evaluation assets pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, acquisition costs on the property will be transferred to property, plant and equipment as mine and mill costs. Prior to transfer, the assets will be tested for impairment. The costs related to a property from which there is production, will be depleted and amortized using the unit-of-production method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets (continued)

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

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

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

e) Property, plant and equipment

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

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

PPE is depreciated annually at the following rates, when the asset becomes available for use:

Mine and mill equipment	-	30% straight line
Office and computer equipment	-	30% straight line
Vehicles	-	30% straight line

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

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

f) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment (continued)

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

g) Share capital

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.

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.

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

h) 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.

The fair value of employee options is measured at grant date, and the fair value of non-employee options is at the date or over the period such services are received. Each tranche of employee and non-employee options granted is recognized using 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.

Share-based payments granted to non-employees that are related to the issuance of shares are recorded as a reduction of share capital. All share-based payments are reflected in equity reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in the equity reserve is credited to share capital, adjusted for any consideration paid.

i) Equity reserves

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

j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Decommissioning liability

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of an exploration and evaluation asset interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the 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. Subsequent to initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance cost and increases/ decreases due to changes in the estimated future cash flows to decommission the asset are capitalized. Actual costs incurred upon settlement of the site restoration obligations are charged against the provision to the extent the provision was established.

l) Income taxes

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

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

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New accounting standards and interpretations not yet adopted

The following accounting pronouncements have been released but have not yet been adopted by the Company.

IFRS 9 ***Financial Instruments***

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

IFRS 10 ***Consolidated Financial Statements***

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements (IFRS 10). IFRS 10, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces Standing Interpretations Committee 12 Consolidation – Special Purpose Entities (SIC 12) and IAS 27 Consolidated and Separate Financial Statements (IAS 27). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

IFRS 12 ***Disclosure of Interests in Other Entities***

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities (IFRS 12). IFRS 12, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

IFRS 13 ***Fair Value Measurement***

In May 2011, the IASB issued IFRS 13 Fair Value Measurement (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New accounting standards and interpretations not yet adopted (continued)

Other

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to revise the way in which other comprehensive income is presented. The Company does not believe the changes resulting from the amended standard will have an impact on its financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

In June 2011, the IASB issued amendments to IAS 19 Employee Benefits with revised requirements for pensions and other postretirement benefits, termination benefits and other changes. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued IFRS 11 Joint Arrangements, in addition to IFRS 10 and IFRS 12 as discussed above. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

In October 2011, the IASB issued IFRIC 20 Stripping costs in the production phase of a surface mine. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

4. SHORT TERM INVESTMENT

During the year ended April 30, 2011 the Company purchased a guaranteed investment certificate which bore interest at 1.85% and which matured on February 1, 2012. Finance income of $3,700 was received on the redemption of the investment.

5. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

		April 30, 2012		April 30, 2011		May 1, 2010
HST/GST receivable	**$**	**80,443**	$	32,346	$	26,538
Other amounts receivable		**1,470**		-		-
	$	**81,913**	$	32,346	$	26,538

(Expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Mine and mill equipment	Office and computer equipment	Vehicles	Total
Balance at May 1, 2010	$ -	$ -	$ -	$ -
Additions	51,000	-	-	51,000
Balance at April 30, 2011	**51,000**	**-**	**-**	**51,000**
Additions	81,641	1,596	47,011	130,248
Effect of movement in exchange rates	(694)	-	(215)	(909)
Balance at April 30, 2012	**131,947**	**1,596**	**46,796**	**180,339**

ACCUMULATED DEPRECIATION				
Balance at May 1, 2010	**-**	**-**	**-**	**-**
Depreciation	-	-	-	-
Balance at April 30, 2011	**-**	**-**	**-**	**-**
Depreciation	34,310	469	11,452	46,231
Effect of movement in exchange rates	(792)	-	(46)	(838)
Balance at April 30, 2012	**33,518**	**469**	**11,406**	**45,393**

CARRYING AMOUNTS				
At May 1, 2010	-	-	-	-
At April 30, 2011	51,000	-	-	51,000
Balance at April 30, 2012	**$ 98,429**	**$ 1,127**	**$ 35,390**	**$ 134,946**

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

The Company has accumulated the following acquisition expenditures:

ACQUISITION COSTS:	Cherry Hill (California)	Zacatecas (Mexico)	Yoreme (Mexico)	Cariboo (British Columbia)	TOTAL
Balance at May 1, 2010	$ -	$ 87,500	$ -	$ -	$ 87,500
Acquisition costs - cash	518,979	-	-		518,979
Acquisition costs - shares	-	-	864,000	160,000	1,024,000
Costs written-off	-	-	-	(160,000)	(160,000)
Balance at April 30, 2011	518,979	87,500	864,000	-	1,470,479
Acquisition costs - shares	602,835	-	-	-	602,835
Acquisition costs - warrants	101,238	-	-	-	101,238
Costs written-off	-	-	(564,000)	-	(564,000)
Effect of movement in exchange rates	(3,785)	-	-	-	(3,785)
Balance at April 30, 2012	**$ 1,219,267**	**$ 87,500**	**$ 300,000**	**$ -**	**$ 1,606,767**

The Company incurred the following exploration expenditures, which were recognized in the statement of operations for the year ended April 30, 2012 and 2011:

	April 30, 2012				April 30, 2011			
	Cherry Hill (California)	**Zacatecas (Mexico)**	**Yoreme (Mexico)**	**TOTAL**	Zacatecas (Mexico)	Yoreme (Mexico)	Cariboo (British Columbia)	TOTAL
Administrative	$ 23,649	$ 1,336	$ 454	**$ 25,439**	$ -	$ -	$ -	$ -
Assay	4,650	-	-	**4,650**	-	1,520	-	1,520
Consulting (note 11)	192,983	1,448	798	**195,229**	-	5,578	4,175	9,753
Geology	1,784	-	55,290	**57,074**	-	9,602	-	9,602
Geophysics	-	-	41,811	**41,811**	-	-	-	-
Legal	33,654	-	-	**33,654**	-	-	-	-
Metallurgy	-	-	-	**-**	15,045	-	-	15,045
Milling	29,461	-	-	**29,461**	-	-	-	-
Salaries and benefits	368,768	7,998	-	**376,766**	-	-	-	-
Site preparation	44,166	-	-	**44,166**	-	-	-	-
Rentals	43,419	-	-	**43,419**	-	-	-	-
Travel and site costs	248,531	-	-	**248,531**	-		-	-
	$ 991,065	**$ 10,782**	**$ 98,353**	**$1,100,200**	$ 15,045	$ 16,700	$ 4,175	$ 35,920

7. EXPLORATION AND EVALUATION ASSETS (continued)

a) Yreka, California

On April 14, 2011 the Company closed the Definitive Agreement for the purchase of a 51% interest in the Cherry Hill Mining claims, located in Siskiyou County, northern California, whose key asset is the past producing Cherry Hill Gold Mine. In consideration for the 51% interest in the project, the Company agreed to pay US$555,000 (paid). The Cherry Hill purchase includes one mill site claim including a 750 ton-per-month gravity circuit mill with all machinery and equipment (note 6). The Property is approximately 125 acres located in the Klamath National Forest in Siskiyou County, California, approximately 8 miles from Yreka.

On May 20, 2011 the Company concluded the purchase agreement to acquire a further 17.15% interest in the Cherry Hill Mining claims. In consideration, the Company agreed to issue 500,000 common shares (note 9(b)), at a fair value of $217,500. $200,350 has been recognized as exploration and evaluation asset acquisition costs and the remaining $17,150 as equipment (note 6).

On July 29, 2011 the Company concluded the purchase agreement to acquire the remaining 31.85% interest in the Cherry Hill Mining claims, to acquire a 100% interest therein. In consideration the Company agreed to issue 950,000 common shares (note 9(b)), at a fair value of $427,500 and 475,000 share purchase warrants, at a fair value of $108,073 (note 9(c)). A total of $503,723 has been recognized as exploration and evaluation asset acquisition costs and the remaining $31,850 as equipment (note 6).

To date, the Company has incurred mineral property exploration and evaluation costs of $991,065.

b) Mexico

(i) Zacatecas

On August 14, 2008, the Company entered into an Option Agreement with Yale Resources Ltd.("Yale") whereby the Company entered into an option agreement to acquire 100% of Yale's 65% vested participating interest in a Joint Venture Agreement dated August 8, 2008, between Yale and IMPACT Silver Corp., with respect to certain mining concessions located in Zacatecas, Mexico.

In order to exercise the option, the following consideration is required by the Company:

- Pay a $25,000 (paid) non-refundable deposit upon execution of the Option Agreement;
- Pay $25,000 (paid), issue 200,000 common shares of the Company (issued at a fair value of $10,500) and incur $100,000 (incurred) in exploration expenditures by December 24, 2008;
- Pay $100,000 (waived), issue an additional 300,000 common shares of the Company (issued at a fair value of $27,000) and incur an additional $100,000 (incurred) in exploration expenditures by January 24, 2010.

To date, the Company has incurred mineral property exploration and evaluation costs of $249,023 (April 30, 2011 - $238,241).

On January 14, 2010, Yale waived the payment of the final $100,000 due under the agreement. The Company exercised its option to acquire 100% of Yale's 65% vested participating interest in the Joint Venture Agreement by issuing the final 300,000 shares due under the agreement.

The Company also agreed to pay US$250,000 to Yale if the property is included in a positive feasibility study or is part of a production on the property greater than 500 tonnes per day.

(ii) Yoreme

On December 20, 2010, the Company entered into an exploration and evaluation purchase agreement with Maggiore Capital Limited, pursuant to which the Company has acquired one hundred percent (100%) right, title and interest in the Yoreme mineral claim (the "Property"). The Property is 400 hectares in size and is located in the Municipality of Alamos, state of Sonora, Mexico. The consideration paid was 2,500,000 common shares of the Company, at a fair value of $0.32 per share. The Company agreed to pay an additional 200,000 shares as a finders' fee on this purchase (note 9(b)).

To date, the Company has incurred mineral property exploration and evaluation costs of $115,053 (April 30, 2011 - $16,700).

At April 30, 2012 the Company impaired the Yoreme exploration and evaluation asset by $564,000, to its estimated fair market value of $300,000.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

c) British Columbia

On May 3, 2010, the Company acquired an option to purchase a one hundred percent (100%) interest in five contiguous mineral claims covering a combined area of approximately 2,431.79 hectares located in the Cariboo mining district in British Columbia. In consideration for this option, the Company issued 2,000,000 common shares valued at $160,000 based on the price the shares were trading on the day the agreement was signed. On November 25, 2010 the Company announced that it had terminated the option to purchase these claims, and wrote off the cost of this option.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	April 30, 2012	April 30, 2011	May 1, 2010
Trade payables	**$ 54,975**	$ 17,945	$ 9,911
Other payables	**15,584**	-	-
Accrued liabilities	**35,000**	15,000	12,000
	$ 105,559	$ 32,945	$ 21,911

9. SHARE CAPITAL

a) Authorized

Unlimited common shares without par value

b) Issued

On May 20, 2011 the Company issued 500,000 common shares at a price of $0.435 per share (total value of $217,500) as consideration for the acquisition of a 17.15% interest in the Cherry Hill Mining claims (note (7(a)).

On July 29, 2011 the Company issued 950,000 common shares at a price of $0.45 per share (total value of $427,500) as consideration for the acquisition of the remaining 31.85% interest in the Cherry Hill Mining claims (note 7(a)).

During the year ended April 30, 2012, 2,498,000 common shares were issued on the exercise of 2,000,000 options and 498,000 warrants, for total proceeds of $508,500 and $74,700 respectively.

On May 3, 2010 the Company issued 2,000,000 common shares at a price of $0.08 per share (total value of $160,000) as consideration for the acquisition of mineral claims in the Cariboo mining district of British Columbia (note 7(c)).

On December 20, 2010 the Company issued 2,700,000 common shares at a price of $0.32 per share (total value of $864,000) for consideration for the Yoreme mineral claim (note 7(b)(ii)).

During the year ended April 30, 2011, 15,035,000 common shares were issued on the exercise of 14,085,000 warrants and 950,000 options, for total proceeds of $1,413,500 and $104,000 respectively.

At April 30, 2011, 789,600 of the Company’s issued and outstanding common shares were held in escrow and deposited with a trustee under an escrow agreement. Under the escrow agreement these common shares were released from escrow during the year ended April 30, 2012.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

c) Warrants

A continuity schedule of the Company's outstanding share purchase warrants for the years ended April 30, 2012 and 2011 is as follows:

	April 30, 2012			April 30, 2011		
	Number Outstanding		**Weighted Average Exercise Price**	Number Outstanding		Weighted Average Exercise Price
Outstanding, beginning of the year	**583,000**	**$**	**0.15**	14,668,000	$	0.10
Issued	**475,000**		**0.56**	-		-
Exercised	**(498,000)**		**0.15**	(14,085,000)		0.10
Outstanding, end of the year	**560,000**	**$**	**0.51**	583,000	$	0.15

As at April 30, 2012 and 2011, the Company had warrants outstanding to acquire common shares of the Company as follows:

	April 30, 2012				April 30, 2011			
Expiry dare	**Warrants outstanding**		**Exercise price**	**Remaining contractual life (in years)**	Warrants outstanding		Exercise price	Remaining contractual life (in years)
February 8, 2015 *	85,000	$	0.25	2.78	583,000	$	0.15	3.78
July 29, 2012	475,000		0.56	0.25	-		-	-
	560,000	**$**	**0.51**	**0.63**	583,000	$	0.15	3.78

*On February 8, 2010, the Company issued 14,668,000 warrants in connection with a non-brokered financing. The warrants have a five year term and are exercisable at $0.10 in year one, $0.15 in year two, $0.25 in year three, $0.50 in year four, and $1.00 in year five.

d) Share Purchase Options

On April 27, 2007, the Company adopted an incentive stock option plan, which provides that the board of directors of the Company may from time to time, on its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at Closing. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the options may be exercised within a maximum period of one year after such death, subject to the expiry date of such options.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

d) Share Purchase Options (continued)

A continuity schedule of the Company's outstanding options for the years ended April 30, 2012 and 2011 is as follows:

	April 30, 2012			April 30, 2011		
	Number Outstanding		**Weighted Average Exercise Price**	Number Outstanding		Weighted Average Exercise Price
Outstanding, beginning of the year	**3,900,000**	**$**	**0.29**	900,000	$	0.11
Granted	**1,900,000**		**0.37**	4,100,000		0.28
Exercised*	**(2,000,000)**		**0.25**	(950,000)		0.11
Cancelled/Expired	**(900,000)**		**0.29**	(150,000)		0.10
Outstanding, end of the year	**2,900,000**	**$**	**0.34**	3,900,000	$	0.29

* The weighted average price of the Company's shares on the date these options were exercised was $0.47.

As at April 30, 2012 and 2011, the Company had options outstanding and exercisable to acquire common shares of the Company as follows:

	April 30, 2012				April 30, 2011		
Expiry date	**Options outstanding**	**Options exercisable**	**Exercise price**	**Remaining contractual life (in years)**	Options outstanding and exercisable	Exercise price	Remaining contractual life (in years)
July 19, 2012**	250,000	250,000	$ 0.55	0.22	-	$ -	-
September 15, 2012	350,000	262,500	0.45	0.38	-	-	-
December 21, 2015	1,000,000	1,000,000	0.28	3.64	2,050,000	0.28	0.64
December 12, 2016	1,300,000	1,300,000	0.32	4.62	-	-	-
December 21, 2011	-	-	-	-	750,000	0.21	0.84
March 1, 2012	-	-	-	-	500,000	0.25	0.87
March 14, 2012	-	-	-	-	100,000	0.36	0.88
March 16, 2012	-	-	-	-	500,000	0.33	4.65
	2,900,000	**2,812,500**	**$ 0.34**	**3.39**	3,900,000	$ 0.29	1.23

** Subsequent to year end these options expired

e) Share-based compensation

The fair value of share based compensation is measured at the date of grant and recognized over the vesting period. The fair value of share options granted to directors, employees, and consultants and vested during the year ended April 30, 2012 was $495,482 (April 30, 2011 – $843,892) which has been expensed as share-based compensation in the Company's consolidated statement of operations and comprehensive loss.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

e) Share-based compensation (continued)

For the year ended April 30, 2012 and 2011, share based compensation expense consisted of the following:

		April 30, 2012		April 30, 2011
Expense category:				
Management and consulting fees	$	412,100	$	843,892
Investor relations		83,382		-
	$	495,482	$	843,892

The Company estimated the fair value of stock options granted using the Black-Scholes option pricing model with the following weighted average assumptions:

	April 30, 2012	April 30, 2011
Risk-free interest rate	1.31%	2.52%
Expected annual volatility	123.54%	137.93%
Expected life	3.78	3.00
Expected dividend yield	0%	0%
Exercise price	$ 0.37	$ 0.28
Share price	$ 0.37	$ 0.29

The expected volatility is based on weekly share price history, to the option's grant date, for a period consistent with the assumed option life. The risk free interest rate is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected life is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share options.

10. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended April 30, 2012 was based on the loss attributable to common shareholders of $2,934,867 (April 30, 2011 – $1,442,285) and a weighted average number of common shares outstanding of 46,027,697 (April 30, 2011 – 32,101,163).

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES

a) Management transactions

The Company has identified certain senior officers as its key management personnel. The compensation costs for key management personnel for year ended April 30, 2012 and 2011 are as follows:

	April 30, 2012		
	Short-term employee benefits	Share-based payments	**Total**
McLeary Capital Management, Inc. (i)	$ 120,000	$ 261,366	**$ 381,366**
Thomas Kordyback, CFO (ii)	5,400	-	**5,400**
Yale Resources Ltd. (iv)	55,536	-	**55,536**
Foremost Geological Consulting Ltd. (iii)	18,700	-	**18,700**

	April 30, 2011		
	Short-term employee benefits	Share-based payments	**Total**
McLeary Capital Management, Inc. (i)	$ 20,000	$ -	$ 20,000
Mark McLeary; President and CEO	41,675	123,772	165,447
Thomas Kordyback, CFO (ii)	-	123,772	123,772
Ian Foreman, director	-	123,772	123,772
Yale Resources Ltd. (iv)	1,950	-	1,950
Michael Johnson, director	-	123,772	123,772

(i) A private company controlled by the President and CEO, Mark McLeary. Total expenses of $11,939 were reimbursed to Mark McLeary during the year ended April 30, 2012 (April 30, 2011 - $252).

(ii) Reimbursed expenses of $2,651 were paid to the Company's CFO and director, Thomas Kordyback during the year ended April 30, 2012 (April 30, 2011 - $nil)

(iii) Private companies associated with a director of the Company, Ian Foreman. In addition, $4,345 was paid to Foremost Management Services Ltd (also a private company associated with Ian Foreman) for employee health benefits (April 30, 2011 - $nil). Total expenses of $570 were reimbursed to Ian Foreman during the year ended April 30, 2012 (April 30, 2011 - $210).

(iv) During the year $10,218 of office rent and administrative costs were paid to Yale Resources Ltd., a public company with directors in common, during the year ended April 30, 2012 ((April 30, 2011 - $6,968),

(Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration of mineral properties.

The Company's non-current assets are located in its geographic segments of Canada, Mexico and the United States as follows:

		April 30, 2012		April 30, 2011		May 1, 2010
Canada	**$**	**23,996**	$	-	$	-
Mexico		**387,500**		951,500		87,500
United States		**1,330,217**		569,979		-
	$	**1,741,713**	$	1,521,479	$	87,500

No revenues from external customers were earned during the year ended April 30, 2012 or 2011 in any of the geographic locations.

13. INCOME TAXES

A reconciliation of consolidated income taxes at statutory rates with the reported taxes is as follows:

		2012		2011
Loss before income taxes	$	(2,909,642)	$	(1,442,285)
Corporate tax rate		26.00%		27.83%
Expected deferred income tax recovery		(756,507)		(401,388)
Difference in tax rates in other jurisdictions		(198,497)		-
Non-deductible items		129,979		234,855
Impact of income tax rate changes		12,433		16,935
Change in valuation allowance		812,592		149,598
Income tax provision	$	-	$	-

The significant components of the Company's deferred income tax assets are as follows:

		2012		2011
Non-capital losses	$	867,000	$	214,000
Mineral properties		261,000		112,000
Capital assets		18,000		-
Share issuance costs		9,000		17,000
		1,155,000		343,000
Valuation allowance		(1,155,000)		(343,000)
Net deferred income tax assets	$	-	$	-

As at April 30, 2012, the Company has non-capital losses of approximately $2,654,000 which may be available to offset future income for income tax purposes which commence expiring in 2027. The Company has $2,651,000 in unused resource pools.

Due to the uncertainty of realization, the benefit of the potential deferred income tax assets is not reflected in the financial statements, the Company has provided a full valuation allowance.

(Expressed in Canadian Dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities during the years ended April 30, 2012 and, 2011 were as follows:

		April 30, 2012		April 30, 2011
Shares issued for exploration and evaluation assets, and mine and mill equipment	**$**	**645,000**	$	1,024,000
Fair value of warrants issued for exploration and evaluation assets, and mine and mill equipment		**108,073**		-
Fair value of options exercised, transferred to share capital		**420,304**		66,364
Fair value of options cancelled/expired, transferred to accumulated deficit		**168,629**		5,561
Fair value of warrants exercised, transferred to share capital		**-**		35,464

15. FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities were categorized as follows:

		April 30, 2012		April 30, 2011		May 1, 2010
Financial Assets						
Fair value through profit and loss						
Cash and cash equivalents	**$**	**5,952**	$	507,807	$	627,853
Short-term investment		**-**		800,000		-
Loans and receivables						
Amounts receivable [(1)]		**1,470**		-		-
Total financial assets	**$**	**7,422**	$	1,307,807	$	627,853
Financial Liabilities						
Other financial liabilities						
Accounts payable and accrued liabilities	**$**	**105,559**	$	32,945	$	21,911
Total financial liabilities	**$**	**105,559**	$	32,945	$	21,911

(1) excludes sales tax receivable

The fair values of the Company's amounts receivable, short-term investment and accounts payables and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS (continued)

a) 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 of cash and cash equivalents, and amounts receivable.

The Company deposits the majority of its cash and cash equivalents and short-term investment with high credit quality financial institutions in Canada, the United States and Mexico. The Company's amounts receivable consist almost entirely of Harmonized Sales Tax receivable from the Canadian government. Management considers the risk of non-performance related to cash, short-term investment and amounts receivable to be minimal.

Concentration of credit risk exists with respect to the Company's cash and short-term investment as the majority of the amounts are held each in a single Canadian, United States and Mexican financial institution.

The Company's concentration of credit risk, and maximum exposure thereto, is as follows:

	April 30, 2012	April 30, 2011	May 1, 2010
Cash held at major financial institutions:			
Canada	**$ 2,599**	$ 500,054	$ 627,853
Mexico	**1,186**	7,753	-
United States	**2,167**	-	-
	5,952	507,807	627,853
Short-term investments:			
Canada	**-**	800,000	
	$ 5,952	$ 1,307,807	$ 627,853

b) 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 trying to maintain adequate cash and short-term investment balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at April 30, 2012 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. Therefore, the Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

Accounts payable and accrued liabilities are due within twelve months of the statement of financial position date.

15. FINANCIAL INSTRUMENTS (continued)

c) Market Risk

Market risk consists of interest rate risk, foreign currency risk and other price risk. These are discussed further below.

Interest Rate Risk
Interest rate risk consists of two components:

(i) 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.

(ii) 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.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in a foreign currency.

The Company is exposed to foreign currency risk with respect to cash, amounts receivable and accounts payable and accrued liabilities, as a portion of these amounts are denominated in Mexican Pesos and US dollars as follows:

	April 30, 2012		April 30, 2011	May 1, 2010
	MXN	**USD**	MXN	MXN
Cash	$ 15,657	$ 2,210	$ 94,256	$ -
Accounts receivable		1,498	-	-
Accounts payable and accrued liabilities	-	(28,171)	-	-
	$ 15,657	$ (24,463)	$ 94,256	$ -
Rate to convert to $1.00 CDN	$ 0.0758	$ 0.9810	$ 0.0823	$ 0.0819

Based on the net Canadian Dollar denominated asset and liability exposures as at April 30, 2012, an average exchange rate fluctuation over the period, of 1%, in the Canadian/MXN and CAD/US Dollar exchange rates will impact the Company's earnings by approximately $2,281 (April 30, 2011 -$775). As this sensitivity analysis does not take into account any variables other than foreign currency rate fluctuations, the above information may not fully reflect the fair value of the assets and liabilities involved.

The Company manages foreign currency risk by minimizing the value of financial instruments denominated in foreign currency. The Company has not entered into any foreign currency contracts to mitigate this risk.

Other Price Risk
The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

15. FINANCIAL INSTRUMENTS (continued)

d) Classification of Financial instruments

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).

The Company's cash and short-term investments are classified at level one of the fair value hierarchy. As the Company's remaining financial instruments are carried at amortized cost, disclosure is not made of their level in the fair value hierarchy.

16. CAPITAL MANAGEMENT

The Company considers its capital structure to be share capital and cash. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of mineral properties.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest in are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

The Company is not subject to externally imposed capital restrictions.

There have been no changes to the Company's approach to capital management during the year ended April 30, 2012.

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As disclosed in Note 2, these are the Company's first annual financial statements prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the year ended April 30, 2012, the comparative information for the year ended April 30, 2011, the statement of financial position as at April 30, 2011, and the preparation of an opening IFRS statement of financial position on the transition date, May 1, 2010.

a) First time adoption

The guidance for the first time adoption of IFRS is set out in IFRS 1 *First-time Adoption of International Financial Reporting Standards'*. Under IFRS 1 changes in accounting policies resulting from the adoption of IFRS are applied retrospectively at the transition date with all adjustments taken to retained earnings unless certain optional exemptions are applied. The Company has applied the following optional exemptions to its opening statement of financial position dated May 1, 2010:

Business Combinations
IFRS1 indicates that a first-time adopter may elect not to apply IFRS 3 *'Business Combinations'* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after May 1, 2010, of which there were none.

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

a) First time adoption (continued)

Share-based payments

IFRS 1 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 date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to May 1, 2010.

Borrowing Costs

IFRS 1 allows first-time adopters to apply IAS 23 *Borrowing Costs* prospectively from the date of transition to IFRS. The Company has elected to apply IAS 23 prospectively from May 1, 2010. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guideline to its opening statement of financial position dated May 1, 2010:

Estimates

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

b) Changes in accounting policies

The Company has changed certain accounting policies to be consistent with IFRS effective April 30, 2012. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS:

Impairment of (Non-financial) Assets

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

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

The Company has changed its accounting policies related to impairment of assets to be consistent with the requirements under IFRS. The changes in accounting policies related to impairment did not have an impact on the Company's consolidated financial statements.

Decommissioning Liability (Asset Retirement Obligations)

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

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

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

b) Changes in accounting policies (continued)

Share-based Payments

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

Due to the nature of the Company's stock options, these changes in accounting policy did not have a significant impact on the Company's consolidated financial statements.

Functional currency

IFRS requires that the functional currency of each company within the consolidated group be assessed individually, while under Canadian GAAP the functional currency of an integrated operation was the same as the reporting company. Under IFRS, where a company's functional currency differs from the presentation currency of the consolidated financial statements, all assets and liabilities are translated into the presentation currency at the rate of exchange at the period end, and foreign exchange gains and losses arising on translation are recognised in the statement of operations and comprehensive income as other comprehensive income. This change in policy did not have an impact on the Company's consolidated financial statements.

c) Reconciliation of Canadian GAAP to IFRS

The following provides reconciliations and discussions of the statement financial position at the transition date of May 1, 2010 and at and April 30, 2011, and summary reconciliations of the statements of comprehensive income and statement of cash flows for the year ended April 30, 2011. The changes in accounting policies resulting from the Company's adoption of IFRS had no significant impact on financial statements for these comparative periods, other than a transfer within equity in respect of the fair value of options and warrants no longer outstanding (refer to note (d(i)) below).

(Expressed in Canadian Dollars)

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of the Statements of Financial Position:

		May 1, 2010			April 30, 2011		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS							
Current							
Cash		$ 627,853	$ -	$ 627,853	$ 507,807	$ -	$ 507,807
Short-term investments		-	-	-	800,000	-	800,000
Receivables		26,538	-	26,538	32,346	-	32,346
Prepaid expense		165,600	-	165,600	-	-	-
		819,991	-	819,991	1,340,153	-	1,340,153
Non-current							
Equipment		-	-	-	51,000	-	51,000
Exploration and evaluation assets		87,500	-	87,500	1,470,479	-	1,470,479
		87,500	-	87,500	1,521,479	-	1,521,479
TOTAL ASSETS		$ 907,491	$ -	$ 907,491	$ 2,861,632	$ -	$ 2,861,632
LIABILITIES							
Current							
Accounts payable and accrued liabilities		$ 21,911	$ -	$ 21,911	$ 32,945	$ -	$ 32,945
SHAREHOLDERS' EQUITY							
Share capital		1,433,950	-	1,433,950	4,077,278	-	4,077,278
Contributed surplus	(i)	140,068	(40,093)	99,975	882,132	(45,654)	836,478
Accumulated deficit	(i)	(688,438)	40,093	(648,345)	(2,130,723)	45,654	(2,085,069)
		885,580	-	885,580	2,828,687	-	2,828,687
TOTAL EQUITY AND LIABILITIES		$ 907,491	$ -	$ 907,491	$ 2,861,632	$ -	$ 2,861,632

(Expressed in Canadian Dollars)

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Summary reconciliation of the Statements of Comprehensive Loss:

		Year ended April 30, 2011
Net loss and total comprehensive loss per Canadian GAAP	$	(1,442,285)
Adjustment on adoption of IFRS		-
Net loss and total comprehensive loss per IFRS	**$**	**(1,442,285)**

Summary reconciliation of the Statements of Cash Flows

		Year ended April 30, 2011
Operating activities per Canadian GAAP	$	(267,567)
Adjustment on adoption of IFRS		-
Operating activities per IFRS	**$**	**(267,567)**
Investing activities per Canadian GAAP	$	(1,369,979)
Adjustment on adoption of IFRS		-
Investing activities per IFRS	**$**	**(1,369,979)**
Financing activities per Canadian GAAP	$	1,517,500
Adjustment on adoption of IFRS		-
Financing activities per IFRS	**$**	**1,517,500**

d) Notes on Canadian GAAP – IFRS Reconciliations

(i) IFRS permits a transfer of reserves arising from share-based transactions, within equity. Therefore, at May 1, 2010 the fair value attributable to options and warrants outstanding at that date was transferred from contributed surplus to an “Equity settled share-based payment reserve” and the fair value attributable to outstanding warrants was transferred to a “Reserve for warrants and compensation options”. The remaining balance of contributed surplus, which reflected the fair value of options and warrants no longer outstanding, was transferred to Accumulated Deficit.

During the year ended April 30, 2011, some options expired and therefore a further transfer, of the fair value attributable to these options, was made from the Equity settled share-based payment reserve to Accumulated Deficit.

18. COMMITMENTS

As at April 30, 2012 the Company had the following obligations:

- The Company has a rental and administrative services agreement with a company that shares directors and officers, and requires the payment of $750 per month plus taxes. The agreement is in effect on a month to month basis and may be terminated with thirty days written notice in accordance with the provisions of the agreement.

- On May 1, 2011 the Company entered into an indefinite term contract with McLeary Capital Management, Inc. (the "consultant"), a private company controlled by the President and CEO of the Company, for the consultant to continue to act as President and Chief Executive Officer and Director of the Company. A monthly consulting fee of $10,000 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 May 1, 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.

- Effective June 9, 2011, the Company entered into a fifteen month investor relations agreement with Launch IR Inc. An agreement was concluded with the investor relations consultant for a term of 15 months commencing June 15, 2011. The Consultant will be paid a total of $20,000 plus HST over the term of four months, payable in installments of $5,000 monthly, commencing June 15, 2011 and the sum of $5,500 plus HST over the term of eleven months, payable in installments of $500 per month for a period of eleven months commencing October 15, 2011. The consultant was also the granted options to purchase 350,000 common shares of the Company at an exercise price of $0.45 for a term of fifteen months.

- Effective July 5, 2011, the Company entered into a 12 month license and service agreement for the consideration of $10,000 USD per month. The terms of the agreement requires the licensor to provide mining and permit development services to the Company, and provides the Company the rights to use certain licenses and permits registered in the name of the licensor relating to the Company's Cherry Hill claims located in Siskiyou County, California.

- Effective September 1, 2011, the Company entered into a 3 year storage rental agreement for an annual fee of $8,400, payable at the start of each year. At the end of the initial rental period, the agreement shall renew annually and continue on a year-to-year basis, subject to termination of sixty days written notice by either party.

19. SUBSEQUENT EVENTS

The following events occurred subsequent to April 30, 2012:

- On May 15, 2012 the Company completed a non-brokered private placement and issued 480,000 units at $0.165 per unit, for gross proceeds of $79,200. Each unit consists of one common share and one share purchase warrant, exercisable until May 15, 2017 at an exercise price per warrant of $0.25 during the first year, $0.40 during the second year, $0.50 during the third year, $0.75 during the fourth year and $1.00 during the fifth year. The shares and warrants are subject to restrictions on resale until September 15, 2012.

- The Company is awaiting approval from the Exchange of the closing of the first tranche of the private placement, announced on July 10, 2012, for the issuance of 3,250,000 units at $0.12 per unit, for gross proceeds of $390,000. Each unit consists of one common share in the Company and one share-purchase warrant, exercisable for two years from the date of closing at a price of $0.17 per share during the first year and $0.25 per share during the second year.