GOLDEN CROSS RESOURCES INC.

Condensed Interim Financial Statements

Six Months Ended March 31, 2012 and 2011

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GOLDEN CROSS RESOURCES INC.
Condensed Statements of Financial Position (Unaudited)
(Expressed in Canadian Dollars)

	March 31 2012	September 30 2011 (Note 12)	October 1 2010 (Note 12)
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,159,020	$ 591,782	$ 185,257
Receivables	14,864	3,876	2,334
Prepaid expenses (Note 9)	6,000	2,000	1,083
	1,179,884	597,658	188,674
Non-current assets			
Exploration and evaluation assets (Note 6)	37,500	37,500	37,500
Website development costs	300	1,300	2,400
	$ 1,217,684	$ 636,458	$ 228,574
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 5,730	$ 7,715	$ 7,241
	5,730	7,715	7,241
SHAREHOLDERS' EQUITY			
Share capital (Note 8)	1,537,751	1,223,128	761,215
Share-based payments reserve	688,193	267,816	35,102
Deficit	(1,013,990)	(862,201)	(574,984)
TOTAL EQUITY	1,211,954	628,743	221,333
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,217,684	$ 636,458	$ 228,574

Nature and continuance of operations (Note 1)
Subsequent events (Note 13)

The condensed interim financial statements were authorized for issue by the board of directors on May 28, 2012 and were signed on its behalf by:

"Thomas Kennedy"
Thomas Kennedy, Director

"Lance Morqinn"
Lance Morqinn, Director

The accompanying notes are an integral part of these financial statements

GOLDEN CROSS RESOURCES INC.
Condensed Statements of Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended March 31		Six Months Ended March 31	
	2012	2011	2012	2011
EXPENSES				
Accounting and administration	$ 15,270	$ 7,525	$ 21,970	$ 7,525
Consulting	41,159	455	62,121	5,455
Mineral exploration costs	-	601	3,556	2,755
Office and miscellaneous	15,794	4,290	24,916	14,147
Professional fees	2,418	20,142	17,044	30,205
Share-based payments	-	127,427	-	127,427
Transfer agent and filing fees	4,921	6,524	15,939	10,344
Shareholder communication and promotion	9,215	-	9,215	-
Net loss before other items	88,777	166,964	154,761	197,858
Interest income	(1,714)	-	(2,972)	-
Net loss and comprehensive loss for the period	$ 87,063	$ 166,964	$ 151,789	$ 197,858
Basic and diluted loss per share	$ -	$ 0.01	$ 0.01	$ 0.01
Weighted average number of common shares outstanding	21,374,250	13,605,391	19,020,079	13,409,029

The accompanying notes are an integral part of these financial statements

Golden Cross Resources Inc.
Condensed Statements of Changes in Shareholders' Equity (Unaudited)
(Expressed in Canadian Dollars)

	Share Capital		Share-based		Total
	Number of Shares	Amount	Payments Reserve	Deficit	Shareholders' Equity
Balance, as at October 1, 2010	13,136,502	$ 761,215	$ 35,102	$ (574,984)	$ 221,333
Net loss for the period				(30,894)	(30,894)
Stock options exercised	100,000	5,000	-	-	5,000
Fair value of stock options exercised	-	3,386	(3,386)	-	-
Balance, as at December 31, 2010	13,236,502	769,601	31,716	(605,878)	195,439
Net loss for the period				(166,964)	(166,964)
Stock options exercised	800,000	40,000	-	-	40,000
Fair value of stock options exercised	-	27,091	(27,091)	-	-
Share-based payments	-	-	127,427	-	127,427
Balance as at March 31, 2011	14,036,502	$ 836,692	$ 132,052	$ (772,842)	$ 195,902
Balance, as at October 1, 2011	16,691,502	$ 1,223,128	$ 267,816	$ (862,201)	$ 628,743
Warrants exercised	100,000	5,000	-	-	5,000
Net loss for the period				(64,726)	(64,726)
Balance as at December 31, 2011	16,791,502	1,228,128	267,816	(926,927)	569,017
Net loss for the period				(87,063)	(87,063)
Private placement	8,000,000	600,000	-	-	600,000
Warrants exercised	2,600,000	130,000	-	-	130,000
Fair value of warratns issued	-	(420,377)	420,377	-	-
Balance as at March 31, 2012	27,391,502	$ 1,537,751	$ 688,193	$ (1,013,990)	$ 1,211,954

The accompaning notes are an integral part of these financial statements

GOLDEN CROSS RESOURCES INC.
Condensed Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended March 31		Six Months Ended March 31	
	2012	2011	2012	2011
OPERATING ACTIVITIES				
Net loss for the period	$ (87,063)	$ (166,964)	$ (151,789)	$ (197,858)
Add items not affecting cash:				
Amortization	1,000	200	1,000	400
Share-based payments	-	127,427	-	127,427
Changes in non-cash working capital items:				
Receivables	(5,824)	(4,295)	(10,988)	(6,038)
Prepaid expenses	(4,000)	-	(4,000)	1,083
Accounts payable and accrued liabilities	(6,079)	1,667	(1,985)	1,801
	(101,966)	(41,965)	(167,762)	(73,185)
FINANCING ACTIVITIES				
Due from related parties	-	-	-	-
Shares issued for cash	730,000	80,000	735,000	85,000
	730,000	80,000	735,000	85,000
INCREASE IN CASH DURING THE PERIOD	628,034	38,035	567,238	11,815
CASH, BEGINNING OF PERIOD	530,986	159,037	591,782	185,257
CASH, END OF PERIOD	$ 1,159,020	$ 197,072	$ 1,159,020	$ 197,072
Supplemental Cash Flow Information:				
Income tax paid	$ -	$ -	$ -	$ -
Interest paid	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of these financial statements

1. Nature and continuance of operations

Golden Cross Resources Inc. (the "Company") was incorporated in British Columbia under the Business Corporations Act on June 20, 2006. The Company is primarily engaged in the acquisition, exploration, development and production of mineral properties. The Company's principal office is located at Suite 804 – 750 West Pender Street, Vancouver, BC, V6C 2T7.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent upon its ability to obtain financing on reasonable terms and to attain profitable operations from the mineral properties or the proceeds from the disposition of those properties. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be substantially less than the amounts recorded on the statements of financial position. These financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. Significant accounting policies and basis of preparation

Statement of compliance and conversion to International Financial Reporting Standards

The condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and IFRS 1, First Time Adoption of IFRS.

These are the Company's second IFRS interim financial statements, and are a part of the period covered by the Company's first IFRS annual financial statements to be prepared in accordance with IFRS for the year ending September 30, 2012.
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Note 12 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended September 30, 2011. Comparative figures for 2011 have been restated to give effect to those changes.

Basis of preparation

The condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. They do not include all of the information required by full annual financial statements and should therefore be read in conjunction with the Canadian GAAP annual financial statements of the Company for the year ended September 30, 2011. The interim financial statements are presented in Canadian dollars unless otherwise noted.

2. Significant accounting policies and basis of preparation (continued)

Significant accounting judgments, estimates and assumptions

The preparation of the Company's condensed interim 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 financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of property and equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Exploration and evaluation assets

Exploration and evaluation costs include the acquisition costs of mineral interests and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenses incurred before the Company has obtained the legal rights to explore an area and prior to determination of the feasibility of mining operations are expensed as incurred. Government tax credits received are deducted from exploration expenditure.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

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

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of share-based payments is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

2. Significant accounting policies and basis of preparation (continued)

Financial instruments (continued)

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

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 subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.
Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. Significant accounting policies and basis of preparation (continued)

Impairment of assets (continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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, in the countries where the Company operates and generates taxable income.

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.

2. Significant accounting policies and basis of preparation (continued)

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the Company are classified as finance leases.

Finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognized as a liability and amortized on a straight-line basis over the life of the lease term.

Basic and diluted loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions including the exercise of options and warrants that would be anti-dilutive

The calculation also excludes common shares that are being held in escrow at period end where the terms of release are dependent on requirements other than the passage of time.

3. Accounting standards issued by not yet effective

Amendments to IFRS 7 "Financial Instruments: Disclosures"

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011.

IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2013.

The Company is currently assessing the impact that these standards will have on the financial statements.

IFRS 10 "Consolidated Financial Statements"

IFRS 10, Consolidated Financial Statements ("IFRS 10") was issued by the IASB on May 12, 2011 and will replace IAS 27, Consolidated and Separate Financial Statements ("IAS 27"), and SIC-12, Consolidation – Special Purpose Entities ("SIC-12"). Concurrent with IFRS 10, the IASB issued IFRS 11, Joint Ventures; IFRS 12, Disclosures of Involvement with Other Entities; IAS 27, Separate Financial Statements, which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; IAS 28, Investments in Associates and Joint Ventures, which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013. The Company does not expect these pronouncements to have a significant impact on its results and financial position.

IFRS 13 "Fair Value Measurement"

IFRS 13, Fair Value Measurement ("IFRS 13") was issued by the IASB on May 16, 2011. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value. The new standard is effective for annual periods on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard on its financial statements.

Amendment to IAS 1 "Presentation of Financial Statements"

The IASB issued amendments to IAS 1, Presentation of Financial Statements ("IAS 1") to require companies preparing financial statements under IFRS to group items within Other Comprehensive Income ("OCI") that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statements or two consecutive statements. The amendments to IAS 1 are effective for fiscal years beginning on or after July 1, 2012. The Company is currently assessing the impact of these amendments on its financial statements.

(Expressed in Canadian dollars)

3. Accounting standards issued by not yet effective (continued)

IFRIC 20 "Stripping costs in the Production Phase of a Surface Mine"

October 24, 2011. The IASB has issued IFRIC Interpretation 20 clarifying when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

		March 31, 2012		September 30, 2011
Cash at bank	$	84,020	$	116,782
Guaranteed investment certificates		1,075,000		475,000
	$	1,159,020	$	591,782

5. Accounts receivable

Receivables consist of HST receivable and interest receivable.

6. Exploration and evaluation assets

		March 31, 2012		September 30, 2011
Holy Cross Property				
Property acquisition costs				
Balance, beginning of period	$	37,500	$	37,500
Additions		-		-
Write-down due to impairment		-		-
Balance, end of period	$	37,500	$	37,500

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

Holy Cross Property

On September 26, 2006, the Company entered into a property purchase agreement with Aegean Marine Consultants Ltd. ("Aegean") pursuant to which the Company acquired a 100% interest in the Holy Cross mineral resource property located in the Omineca Mining Division of British Columbia, Canada, in consideration of a cash payment of $25,000 and issuance of 5,000,000 common shares of the Company with a value of $12,500. Aegean is controlled by a former Officer and Director of the Company.

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued)

During the six month period ended March 31, 2012 and 2011, the following exploration and evaluation expenditures were charged to operations:

	2012	2011
Geological consulting	$ 3,556	$ 1,817
IP and Magnetometer survey	-	187
Other	-	751
	$ 3,556	$ 2,755

7. Accounts payable and accrued liabilities

	March 31, 2012	September 30, 2011
Accounts payable	$ 5,730	$ 5,686
Amounts due to related parties	-	2,029
	$ 5,730	$ 7,715

8. Share capital

Authorized

Unlimited number of common shares without par value.

Issued and fully paid

During the six months ended March 31, 2012, the Company completed a private placement of 8,000,000 units at $0.075 per unit for total proceeds of $600,000. Each unit consists of one common share and one transferable common share purchase warrant entitling the holder thereof to acquire one additional common share at a price of $0.10 per share for a period of five years.

During the six months ended March 31, 2012, the Company issued 2,700,000 common shares on the exercise of 2,700,000 warrants for proceeds of $135,000.

At March 31, 2012, there were 27,391,502 issued and fully paid common shares.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant.

(Expressed in Canadian dollars)

8. Share capital (continued)

Stock options (continued)

The changes in options during the six month period ended March 31, 2012 and the year ended September 30, 2011 are as follows:

	March 31, 2012			September 30, 2011		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Options outstanding, beginning of period	1,400,000	$	0.18	900,000	$	0.05
Options granted	-		-	1,400,000		0.18
Options exercised	-		-	(900,000)		0.05
Options expired/forfeited	(600,000)		0.18	-		-
Options outstanding and exercisable, end of period	800,000	$	0.18	1,400,000	$	0.18

Details of options outstanding as at March 31, 2012 are as follows:

Number of Options Exercisable	Exercise Price	Expiry Date
800,000	0.18	March 1, 2013

The weighted average life of the options outstanding and exercisable at March 31, 2012 is 0.92 year.

Warrants

The changes in warrants during the six months ended March 31, 2012 and the year ended September 30, 2011 are as follows:

	March 31, 2012			September 30, 2011		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Warrants outstanding, beginning of period	5,799,000	$	0.17	3,100,000	$	0.05
Warrants granted	8,000,000		0.10	2,699,000		0.30
Warrants exercised	(2,700,000)		0.05	-		-
Warrants outstanding and exercisable, end of period	11,099,000	$	0.15	5,799,000	$	0.17

The weighted average contractual life of the warrants is 3.84 years.

(Expressed in Canadian dollars)

8. Share capital (continued)

Warrants (continued)

The following table summarizes the warrants outstanding at March 31, 2012:

Number of Warrants		Exercise Price	Expiry Date
400,000	$	0.05	August 27, 2012
2,699,000		0.30	May 19, 2013
8,000,000		0.10	February 28, 2017
11,099,000	$	0.15	

9. Related party transactions

(a) Prepaid expense includes $6,000 (September 30, 2011 - $nil) for prepaid consulting fees to a director.

(b) The following amounts due to related parties are included in accounts payable and accrued liabilities:

		March 31, 2012		September 30, 2011
Companies controlled by directors of the Company	$	-	$	1,680
Directors of the Company		-		349
	$	-	$	2,029

The amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

(c) Gross compensation of management personnel during the six months ended March 31, 2012:

		2012		2011
Consulting fees to a director of the Company	$	17,812	$	900
Accounting fees to a company controlled by an officer of the Company		7,800		3,825
Rent to a director of the Company		-		4,500
	$	25,612	$	9,225

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the six months ended March 31, 2012.

10. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

As at March 31, 2012, all of the Company's non-derivative financial liabilities are due within one year.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the six months ended March 31, 2012.

The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian dollars)

10. Financial risk management (continued)

Classification of financial instruments

Financial assets included in the statements of financial position are as follows:

	March 31, 2012	September 30, 2011
Cash and cash equivalents	$ 1,159,020	$ 591,782
Loans and receivables:		
Other receivables	14,864	3,876
	$ 1,173,884	$ 595,658

Financial liabilities included in the statements of financial position are as follows:

	March 31, 2012	September 30, 2011
Non-derivative financial liabilities:		
Accounts payable	$ 5,730	$ 7,715

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Cash and cash equivalents are classified as level 1.

11. Segmented information

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties. All of the Company's non-current assets are located in Canada.

12. Transition to IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS commencing with its first condensed interim financial statements under IFRS for the three months ended December 31, 2011. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", October 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

(Expressed in Canadian dollars)

12. Transition to IFRS (continued)

Exemptions applied

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2010.

- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before April 1, 2010 and vested before the date of transition to IFRS. The Company had no options that had not vested on the date of transition.

Reconciliation of Canadian GAAP to IFRS

The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive loss.

Total equity reconciliation	September 30, 2011	March 31, 2011	October 1, 2010
Equity previously reported under Canadian GAAP	$ 628,743	$ 235,902	$ 221,333
Adjustments upon adoption of IFRS	-	-	-
Equity reported under IFRS	$ 628,743	$ 235,902	$ 221,333

Reconciliation of comprehensive loss	Three Months Ended March 31 2011	Six Months Ended March 31 2011	Year Ended Septermber 30, 2011
Comprehensive loss previously reported under Canadian GAAP	$ (166,964)	$ (197,858)	$ (287,217)
Adjustments upon adoption of IFRS	-	-	-
Comprehensive loss reported under IFRS	$ (166,964)	$ (197,858)	$ (287,217)

There are no differences between the statements of financial position presented under IFRS and Canadian GAAP as at the transition date, October 1, 2010, and as at September 30, 2011, and also no differences between the statements of comprehensive loss and statements of cash flows presented under IFRS for the six months ended March 31, 2011 and for the year ended September 30, 2011.

13. Subsequent events

(a) The Company is in negotiations with Blue Gold Tailing Technologies Ltd. ("Blue Gold") to enter into a letter of intent to acquire all of the assets of the waste water remediation business of Blue Gold.

(b) On April 30, 2012, the Company announced an offering of up to 7,142,857 units at $0.14 per unit to raise gross proceeds of up to $1,000,000. Each unit will consist of one common share and one-half of one transferable share purchase warrant, with each whole warrant entitling the holder thereof to acquire one additional common share at a price of $0.18 per share for a period of two years from closing of the offering. The proceeds are intended to be used in connection with the proposed acquisition of the waste water remediation business of Blue Gold and for working capital.