KOKANEE MINERALS INC.

(A Development Stage Company)

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)
March 31, 2011 AND 2010

KOKANEE MINERALS INC.
(A Development Stage Company)
BALANCE SHEET
As at March 31, 2011 and September 30, 2010
(Unaudited)
(Expressed in Canadian dollars)

		March 31, **2011**		September 30, **2010** **(audited)**
ASSETS				
Current Assets				
Cash	$	55,223	$	55,946
Prepaid expenses and deposits		45		45
Prepaid exploration costs(note 4)		625,961		200,961
		681,229		256,952
Resource property interest (note 5)		428,565		428,565
Reclamation claim deposit		-		11,635
	$	**1,109,794**	**$**	**697,152**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	$	160,025	$	312,682
Advances from related parties (note 6)		279,786		444,865
		439,811		757,547
Shareholders' Equity				
Share capital (note 7)		3,322,398		1,449,018
Contributed surplus (note 7 (f))		752,032		268,069
Deficit		(3,404,447)		(1,777,482)
		669,983		**(60,395)**
	$	**1,109,794**	**$**	**697,152**

Going concern (note 2)
Commitments and contingencies (note 11)

The accompanying notes are an integral part of the financial statements

Approved on behalf of the board:

"Souhail (Abby) Farrage"
Souhail (Abby) Farrage,
Director, President & CEO

"Patricia Wilson"
Patricia Wilson
Chief Financial Officer

KOKANEE MINERALS INC.
(A Development Stage Company)
Statement of Operations and Comprehensive Loss and Deficit
For the six months ended March 31, 2011 and 2010
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended March 31, 2011	Three months ended March 31, 2010	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010	Accumulated During the Development Stage May 1, 2006 to March 31, 2011
Operating Expenses					
Accounting and legal	$ 19,473	$ 13,395	$ 30,080	$ 18,120	$ 405,733
Automotive	-	-	-	-	266
Bank charges	31	103	80	126	1,101
Consultant fees	194,166	2,750	194,166	2,750	245,553
Investor relations	-	32,250	5,376	32,250	41,277
Management fees	4,500	4,725	9,000	9,450	194,267
Meals and entertainment	-	-	-	-	314
Office expenses	520	667	870	667	2,603
Postage and courier	-	-	-	-	237
Securities filing	3,241	8,659	5,516	8,659	63,455
Stock based compensation	464,203	23,894	464,203	23,894	645,726
Travel	10,215	19,419	10,215	19,419	29,634
	696,349	105,862	719,507	115,335	1,630,167
Loss From Operations	(696,349)	(105,862)	(719,507)	(115,335)	(1,630,167)
Other Income (expenses)					
Interest expenses	(1,060)	(1,525)	(5,720)	(3,356)	(51,717)
Gain on forgiveness of debt	-	-	-	-	39,109
General exploration costs	-	(307,524)	(901,738)	(307,524)	(1,761,672)
Net loss and comprehensive loss for the year	(697,409)	(414,911)	(1,626,965)	(426,215)	(3,404,447)
Deficit, beginning of the period	**(2,707,038)**	**(559,908)**	**(1,777,482)**	**(548,605)**	-
Deficit, end of the period	$ **(3,404,447)**	$ **(974,820)**	$ **(3,404,447)**	$ **(974,820)**	$ (3,404,447)
Net Loss Per Share - Basic and Diluted	$ (0.024)	$ (0.040)	$ (0.064)	$ (0.041)	
Weighted Average Shares Outstanding	**29,353,710**	**10,470,588**	**25,419,631**	**10,470,588**	

The accompanying notes are an integral part of the financial statements

KOKANEE MINERALS INC.
(A Development Stage Company)
Statement of Cash Flows
For the six months ended March 31, 2011 and 2010
(Unaudited)
(Expressed in Canadian dollars)

		Three months ended March 31,				Six Months Ended March 31,				Accumulated During the Development Stage May 1, 2006 to March 31,
		2011		**2010**		**2011**		**2010**		**2011**
OPERATING ACTIVITIES										
Net and comprehensive loss	$	(697,409)	$	(414,911)	$	(1,626,965)	$	(426,215)	$	(3,404,447)
Non-cash items										
Stock based compensation		649,884		23,894		649,884		23,894		831,407
Gain on forgiveness of debt		-		-		-		-		(39,109)
Resources property written-off		-		-		-		-		859,934
		(47,525)		(391,017)		(977,081)		(402,321)		(1,752,215)
Change in non-cash working capital										
Prepaid expenses		-		-		-		-		(45)
Prepaid exploration costs		(50,000)		-		(425,000)		-		(625,961)
Accounts payable and accrued liabilities		(145,710)		(35,467)		(152,657)		(32,796)		252,451
Net Cash Used In Operating Activities		(243,235)		(426,484)		(1,554,738)	-	(435,117)	-	(2,125,770)
FINANCING ACTIVITIES										
Related Party		22,631		(80,655)		(165,079)		(40,824)		274,166
Issue of common shares		165,745		1,200,000		1,736,835		1,200,000		3,446,836
Subscriptions received		(3,000)		-		-		-		-
Share issue costs		-		(138,106)		(29,375)		(165,867)		(248,814)
Net Cash Provided By Financing Activities		185,376		981,239		1,542,380		993,309		3,472,187
INVESTING ACTIVITIES										
Deferred exploration expenditures		-		(533,865)		-		(536,997)		(1,291,194)
Reclamation claim deposit		-		-		11,635		-		-
Net Cash Provided By (Used In) Investing Activities		-		(533,865)		11,635		(536,997)		(1,291,194)
Net Increase in Cash		**(57,858)**		**20,890**		**(723)**		**21,195**		**55,223**
Cash, beginning of Period		**113,081**		**423**		**55,946**		**118**		**-**
Cash, ending of Period	**$**	**55,223**	**$**	**21,313**	**$**	**55,223**	**$**	**21,313**	**$**	**55,223**
Supplemental Information										
Cash paid for interest	$	1,060	$	1,525	$	5,720	$	53,486	$	47,766
Share issued for resource property interest	$	-	$	45,000	$	-	$	45,000	$	45,000
Share issued for underwriter commission	$	-	$	15,499	$	-	$	15,499	$	15,499
Shares issued for debt settlement	$	-	$	-	$	-	$	-	$	45,000
Warrants issued to agent	$	-	$	86,546	$	-	$	86,546	$	86,546

The accompanying notes are an integral part of the financial statements

1. NATURE OF OPERATIONS

Kokanee Minerals Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on August 25, 2005. The Company began its operations on May 1, 2006. The company is in the business of exploring mineral properties and has not yet generated revenues from operations; accordingly, the Company is considered to be an enterprise in the development stage. On January 19, 2010, the Company's common shares were listed for trading on the TSX Venture Exchange ("TSX-V") (trading symbol KOK).

2. GOING CONCERN

These financial statements have been prepared as a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As at March 31, 2011 and 2010, the Company had a working capital deficiency of $241,418 (Mar 2010: $215,097) and a deficit of $3,404,447 (Mar 2010: $ 974,820). Management is aware that material uncertainties may cast doubt upon the company's ability to continue as a going concern, the most significant of these being the company's ability to obtain additional long-term financing and the continued financial support of the Company's shareholders. Other uncertainties include the fact that the company is currently in the exploration stage for its interests in mineral properties for which the economic viability has not been assessed. The Company is in the process of exploring and evaluating its mineral property interests. The Company presently has no proven or probable reserves identified and on the basis of information to date, has not yet determined whether it's mineral property interests contain economically recoverable resources. The recoverability of the amounts shown for resource property interests is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the property, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from disposition of the mineral properties. The outcome of these issues cannot be predicted at this time. The Company is considering a number of alternatives to secure additional capital including additional funding facilities or equity raisings. Although management intends to secure additional financing there is no assurance that management can secure further financing or that it will be able to establish future profitable operations. These factors together raise substantial doubt about the Company's ability to continue as a going concern.

If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used and such amounts would be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information and following the same accounting policies and methods of application as the most recent audited financial statements of the Company for the year ended September 30, 2010. These interim financial statements do not include all the information and note disclosures required by Canadian GAAP for annual financial statements and therefore should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended September 30, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd.)*

Basis of presentation (Cont'd.)

In management's opinion, all adjustments considered necessary for fair presentation have been included in these financial statements.

The financial statements have, in managements' opinion been prepared in accordance with Canadian generally audited accounting principles, the most significant being as follows:

Financial instruments

During the year, the Company adopted the amendments made by the Canadian Institute of Chartered Accountants to handbook sections 3862 – Financial Instruments - Disclosures and 3855 – Financial Instruments Recognition and Measurement and EIC 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, none of which made a significant effect on the Company's disclosure on financial assets and liabilities.

The Company classifies each of its financial instruments into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value as at the balance sheet date except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. The Company classifies its financial instruments as follow:

- Cash and cash equivalents and reclamation deposit are classified as "held-for-trading" and are measured at fair value with any changes in fair value recognized in earnings of the period.
- Accounts payable and accrued liabilities and amounts due to related parties are classified as other financial liabilities and are measured at amortized cost. Management has determined that this approximates their fair value due to their short-term nature.

The CICA Handbook section 3862 requires disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. 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.

The Company's cash is valued at fair value and is classified as Level 1. The Company's accounts payable are considered Level 3 as the fair value estimates are primarily based on management's judgement of fair value without an observable market or with related parties where arm's length comparables are not available.

Transaction costs related to financial instruments other than those held-for-trading are capitalized as part of the cost of the financial instrument and are amortized to operations using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd.)*

Comprehensive income (loss)

The Company follows CICA Handbook Section 1530, Comprehensive Income. Comprehensive income (loss) is defined as the change in equity from transactions and other events from non-owner sources. The Section establishes standards for reporting and presenting certain gains and losses not normally included in net income or loss, such as unrealized gains and losses related to available for sale securities and gains and losses resulting from the translation of self-sustaining foreign operations, in a statement of comprehensive income.

This standard requires the presentation of comprehensive income and its components in a separate financial statement that is displayed with the same prominence as the other financial statements. The presentation of "accumulated other comprehensive income" in the shareholders' equity section of the balance sheet is not required as the Company has had no other comprehensive income or loss transactions from inception.

Translations of foreign currency

The accounts of the Company are measured using the Canadian dollar as the functional currency. Foreign currency transactions are translated into Canadian dollars at the rates prevailing on the dates of the transactions. Monetary items denominated in foreign currencies are translated into Canadian dollars using exchange rates in effect at the balance sheet date and non-monetary items are translated using historical exchange rates. Exchange gains or losses arising on the transaction or settlement of foreign currency denominated monetary items are included in the determination of net loss.

Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less on the date of purchase to be cash equivalents. Cash equivalents are carried at cost, plus accrued interest, which approximates fair market value

Resource property interests

The Company records its interest in resource properties at the lower of cost or estimated recoverable value. Where specific exploration programs are planned and budgeted by management, the cost of resource properties and related exploration expenditures are capitalized until the properties are placed into commercial production, sold, abandoned or determined by management to be impaired in value. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned.

Capitalized costs as reported on the balance sheet represent costs incurred to date and may not reflect actual or future values. Recovery of carrying values is dependent upon future commercial success or proceeds from disposition of the mineral interests.

Management evaluates each resource interest for impairment on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding, whether impairment is indicated.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd.)*

Resource property interest ***(Cont'd.)***

Resource property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General investigation and exploration costs not related to specific properties are charged to operations in the period in which they are incurred.

Stock-based compensation

The Company follows the Canadian Institute of Chartered Accountants "CICA" Handbook Section 3870, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards be measured using a fair value method. Under the standard all awards are measured and expensed or allocated to specific asset accounts, as applicable, in the period of grant or modification. Awards granted with vesting provisions are recognized over the expected vesting period. The fair value of options and other stock-based awards issued or altered in the period, are determined using an option pricing model. Upon the exercise of stock options or warrants, the fair value of the share based award is allocated from contributed surplus to share capital.

Asset retirement obligations

The Company follows the CICA Handbook Section 3110 "Asset Retirement Obligations" which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standard applies to potential statutory, regulatory, or civil obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standard requires that a liability for an asset retirement obligation be recognized in the period in which it is reasonably estimable and a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost would be recognized over the expected life of the asset. Management has reviewed the Company's long-lived assets for known or expected obligations. These financial statements do not include any adjustments related to asset retirement obligations. Any future retirement costs will be recognized on a systematic basis when determinable and quantifiable.

Impairment of long-lived assets

The Company reviews the carrying value of long-lived assets whenever events or changes in circumstances occur that would indicate impairment. Carrying value is assessed by management with reference to the estimated recoverable value based on factors including, estimated undiscounted and discounted future cash flows, financial operating conditions, obsolescence and value in use. Should management determine that the carrying value of an asset or group of assets is determined to be impaired in value, an impairment charge is recorded in the period so determined.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd.)*

Share issue costs

Costs associated with the issuance of shares are charged directly to share capital.

Administrative costs

Administrative costs not directly related to resource properties are recognized as period costs and are expensed in the period incurred.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income assets and liabilities are determined based on differences between the financial statements carrying amounts of existing assets and liabilities and their respective income tax bases (temporary difference) and are measured using enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. Future tax benefits, such as non-capital loss carry forwards, are recognized if realization of such benefits is considered more likely than not and the Company provides a valuation allowance against the excess.

Loss per share

Basic loss per share is computed by dividing the income (loss) for the year by the weighted average number of common shares outstanding during the year. Diluted income (loss) per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the income (losses) incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of mineral interests assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates are the determination of impairment of resource property interests, future income taxes, fair value determinations of financial instruments, stock-based transactions and non-monetary transactions. Actual results could differ from those estimates.

Capital Disclosures

The Company has established standards as required for disclosing information about the Company's objectives, policies and processes for managing its capital, compliance with any capital requirements and the consequences of any non-compliance, if applicable. The disclosures are included in Note 10.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd.)*

New Accounting Standards issued, but not yet adopted

i) International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The conversion date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of October 1, 2011 will require a reconciliation of any significant differences identified and restatement if applicable for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company has begun assessing the implications of the change over to reporting under IFRS and had begun the quantification process of starting the opening IFRS balance sheet. Management plans for conversion to IFRS to include further internal training, external consulting on complex issues, Board and Audit Committee oversight and determining what additional qualitative and supplementary information will be required of the information systems. The conversion plan, training and assessment process will continue through 2011.

ii) Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling Interests which replace CICA Handbook Sections 1581 Business Combinations and 1600 Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after March 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for interim and annual consolidated financial statements for fiscal years beginning on or after December 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. Adoption is not expected to have a material impact on the company's financial reporting based on current operations.

4. PREPAID EXPLORATION COSTS

Prepaid exploration costs represent advances to contractors that are responsible for the mining and development of the mineral claims.

5. RESOURCE PROPERTY INTERESTS

There are inherent risks associated with title to mineral properties due to the difficulty of determining the validity of claims, as well as the potential for problems to arise from the frequently ambiguous conveyance history characteristic of mineral properties. The Company has investigated title to its mineral property and, to the best of its knowledge; title to its mineral property is in good standing.

(Expressed in Canadian dollars)

5. RESOURCE PROPERTY INTERESTS *(Cont'd.)*

SCHEDULE OF RESOURCE PROPERTIES
For the six months ended March 31, 2011

Cost of Mining Property		Tanzania Jackson Gold Project
Acquisition costs		
Balance, September 30, 2010	$	93,591
Additional costs:		
Balance, March 31, 2011		93,591
Exploration costs		
Balance, September 30, 2010		428,565
Additional costs:		
Consulting fees		-
Drilling & Exploration fees		-
Insurance & Permits		-
Option & lease		-
Maintenance		-
Supplies & Miscellaneous		-
Travel & Accommodation		-
Total costs, March 31, 2011		428,565
Resource property interest as of March 31, 2011	**$**	**428,565**

Jackson Gold Project, Bulyanhulu-Geita area of Tanzania

On September 7, 2010, the Company entered into an Option agreement with Jackson Mpemba Nkwabi**.** The Optionor granted the Company the sole and exclusive option (the "**Option**") which may be exercised at the sole discretion of the Company to acquire an undivided **51%** legal and beneficial interest in and to the Property free and clear of all encumbrances, for the full price and consideration of payment to the Optionor of the sum of **US$375,000** (the "**Payment**"), payable. Upon the completion of the Payment, the Company may exercise the Option by delivering to the Optionor written notice of the Company's intention to exercise the Option.

The Payments shall be made to the Optionor as follows:

(a) **US$75,000** on or before the execution of this Agreement (Amount paid);

(b) A further payment of **US$100,000** on or before the 90th day after written approval by the TSX Venture Exchange ("**Exchange Approval**"); and

(c) A further payment of **US$200,000** on or before the 180th day after Exchange Approval.

(Expressed in Canadian dollars)

5. RESOURCE PROPERTY INTERESTS *(Cont'd.)*

Jackson Gold Project, Bulyanhulu-Geita area of Tanzania *(Cont'd)*

The Optionor further grants the Company an option to purchase up to an additional **29%** interest in the Property (the "**Second Option**") exercisable for a period of 2 years after Exchange Approval and upon the Company to earning a 51% interest in the Property. The Second Option may be exercised by the Company by paying **US$400,000** and issuing **3,000,000 common shares** (the "**Shares**") to the Optionor and delivering to the Optionor written notice of the Company's intention to exercise the Second Option.

Provided the Option and the Second Option have been completely exercised, the Optionor further grants the Company an option to purchase an additional 5% interests in the following order:

(1) A payment of **US$750,000** for an additional 5% interest in the Property (cumulative 85%) in the Property;
(2) A further payment of **US$1,000,000** for an additional 5% interest in the Property (cumulative 90%); and
(3) A further payment of **US$1,250,000** for an additional 5% (cumulative 95%).

Joint Venture:

Upon the Company acquiring a 51% interest in the Property, the Optionor and the Company shall be deemed to have entered into a joint venture (the "**Joint Venture**") for the further exploration and development of the Property and any operation of the Property as a mine. Until the commencement of commercial production, the Optionor's interest in the Joint Venture shall be fully carried and the Company shall be responsible for paying all Joint Venture costs including those of the Optionor. The Company shall not be entitled to recover or recoup the costs incurred by it during the existence of the Joint Venture. For the purposes of this Agreement, the "commencement of commercial production" if a mill is located on the Property, the first day the mill processed ore from the Property and if no mill is located on the Property, the first day during which ore has been shipped from the Property on a reasonably regular basis for the purposes of earning revenues.

As of March 31, 2011, the Company has paid $75,000 for the execution of this agreement as noted in 5(a) above.

6. ADVANCES FROM RELATED PARTIES

The following table provides details of the balance included in due to related parties:

Parties		Mar 31, 2011	Sep 30, 2010
Due to Kokanee Placer Ltd. ("Placer") (former director)	(a)	$151,209	$156,619
Due to director	(b)	113,577	273,245
Due to Sidon International Resources Inc. ("Sidon")	(c)	10,000	10,000
Due to Encore Renaissance Resources Corp. ("Encore")	(d)	5,000	5,000
		$279,786	$444,864

In the normal course of operations, the Company has entered into certain related party transactions which have been measured at the respective exchange amounts, being the consideration established and agreed by the related parties.

(Expressed in Canadian dollars)

6. ADVANCES FROM RELATED PARTIES *(Cont'd.)*

a) The Company's mining and mining management functions are performed by Placer. Placer is 100% owned by Laurence Stephenson, a former director of the Company (who resigned in December 2010). The Company and Placer entered into a service agreement on January 5th, 2007 (the "Placer Service Agreement") whereby Placer was engaged to provide corporate management, administration and geological consulting services to the Company for a term of 3 years. Pursuant to the Placer Service Agreement, the Company was to pay all of the operating costs and disbursements incurred by Placer on behalf of the Company and a fee equal to 5% of such costs and disbursements. The Placer Service Agreement was superseded by a consulting agreement dated August 1, 2008 (the "Placer Consulting Agreement") between the Company and Placer. Under the Placer Consulting Agreement, Laurence Stephenson is to provide similar services as under the Placer Services Agreement under the title of Vice President, Exploration. The compensation under the Placer Consulting Agreement is $250 per diem.

As of March 31, 2011, Placer charged interest of $6,035 (March 2010 - $1,831) calculated at 5% on the balance owed. The amount due to Placer is unsecured.

Additionally, during the year Placer provided the following amount in services or charges:

	March 31, 2011	March 31, 2010
Mining services	$ 1,315,103	$816,423
Interest charges	$ 6,035	$ 1,831

b) The advances from Mr. Farrage are non-interest bearing and unsecured.

c) The advances from Sidon, a company related by virtue of common directors, are non-interest bearing and unsecured.

d) The advances from Encore, a company related by virtue of common directors, are non-interest bearing and unsecured.

e) The Company's accounting and administration services have been performed by Rovingi Inc. ("Rovingi"), a company controlled by Toni Bold-de-Haughton, a director. The Company and Rovingi entered into a service agreement on October 20th, 2007 (the "Rovingi Service Agreement") whereby Rovingi was engaged to provide corporate administration and accounting services to the Company for a term of 2 years. Pursuant to the Rovingi Service Agreement, the Company was to pay Rovingi a monthly fee of $3,000 and disbursements, which fee may be adjusted by consent between the parties. The Rovingi Service Agreement was superseded by a consulting agreement dated August 1, 2008 (the "Bold-de-Haughton Consulting Agreement") between the Company and Ms. Bold-de-Haughton. Under the Bold-de-Haughton Consulting Agreement, Ms. Bold-de-Haughton is to provide similar services as under the Rovingi Services Agreement for a monthly fee of $3,000. Rovingi Inc. performed the accounting and administration services from October 2005 until July 31, 2008. From August 1 2008, Ms. Bold-de-Haughton continued to perform the accounting and administration services under her personal name. In April 2009, Ms. Bold-de-Haughton conducted the accounting and administration services through her 100% owned company Castilla ("Castilla").

(Expressed in Canadian dollars)

6. ADVANCES FROM RELATED PARTIES *(Cont'd.)*

The details of Rovingi, Castilla and the services performed by Ms. Bold-de-Haughton are as follows:

	Mar 31, 2011	Mar 31, 2010
Accounting services	$9,000	$9,450
Administration services	$9,000	$9,450
Amounts included in accounts payable	$104,563	$97,033

7. SHARE CAPITAL

a. Authorized – unlimited common shares without par value:

b. Issued and outstanding:

		Number of Shares #	Amount $
Balance as at September 30, 2009		10,470,588	510,003
Shares issued for initial public offering	iv	8,000,000	1,200,000
Shares issued for property acquisition	v	300,000	45,000
Share issued for underwriter commission	iv	103,325	15,499
Less: share issue costs			(321,484)
Balance as at September 30, 2010		18,873,913	1,449,018
Private Placement at $0.15 per share	iii	7,443,332	1,116,500
Shares issued for finder fees at $0.15 per share	iii	250,000	37,500
Options exercised at $0.25 per share	ii	1,604,283	401,071
Warrants exercised between $0.15 - $0.20 per share	i	1,182,182	219,267
Less: share issue costs			(66,875)
Contributed surplus on options & warrants exercised			165,921
Balance as at March 31, 2011		29,353,710	3,322,398

(Expressed in Canadian dollars)

7. SHARE CAPITAL *(Cont'd.)*

i) As of March 31, 2011, a total of 1,182,182 warrants were exercised between $0.15 - $0.20 for the gross proceeds of $219,264.

ii) In November 2010, a total of 1,604,283 options were exercised at $0.25 for the gross proceeds of $401,071.

iii) In December 2010, the Company issued 7,443,332 units for total proceeds of $1,116,500. Each unit consists of one common share of the Company and one share purchase warrant having a two-year term for the purchase of one further common share of the Company in the first year the exercise price of $0.20 per shares after first year the exercise price is $0.25 per share. Finder's fees paid consisted of $22,050 in cash and 250,000 shares.

iv) On January 15, 2010, the Company received the approval from the British Columbia and Alberta Securities Commissions in respect of an Initial Public Offering (the "Offering"). According to the approved preliminary prospectus (the "Prospectus"), the Company issued 8,000,000 units of the Company at a price of $0.15 per unit for gross proceeds of $1,200,000. Each unit will consist of one common share and one additional share purchase warrant to purchase one additional common share for a period of 5 years from the date of closing of the Offering for an exercise price of $0.20 per share during the first two years of the term and at $0.25 per share during the last three years of the term. The Company paid the underwriter PI Financial Corp $104,501 in cash and 103,325 in units, each unit consists one common shares at the price of $0.15 per share and one purchase warrant, each warrant entitles to purchase one common share at price of $0.20 per share for the first two years and $0.25 for the remaining three years. In connection of the public offering, the Company also paid $114,938 cash for the related legal fees and disbursements incurred with respect to the Offering. In addition, the Company has also granted 800,000 agent warrants to acquire the number of common shares equal to the number of units sold in the Offering at an exercise price of $0.15 per common share exercisable for a period of 5 years from the closing date of the Offering. The Company has included $86,546, the value attributed to the agent warrants using the Black-Scholes method, in the contributed surplus.

v) On January 15, 2010, a total of 300,000 shares were issued at $0.15 per share as the deemed value of $45,000 to acquire the Diamond Peak Property claims located in Eureka County Nevada.

c. Stock options outstanding:

Pursuant to the policies of the TSX Venture Exchange ("TSX_V"), the Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has implemented a fixed Stock Option Plan (the "Plan") whereby the Company has reserved 10% of the issued shares (18,873,913 shares) for issuance under the Plan. Options have a maximum term of five years and terminate after a certain number of days following the termination of the optionee's term/employment, except in the case of death, in which case they terminate one year after the event.

Outstanding options at March 31, 2011 were as follows:

Expiry	Price ($)	Outstanding 1-Oct-10	Granted (Expired) (Forfeited)	Exercised	Outstanding 31-Mar-11
15-Jan-15	0.25	1,887,392	-	(1,604,283)	283,109
03-Dec-15	0.21	-	2,800,000	-	2,800,000
		1,887,392	2,800,000	(1,604,283)	3,083,109

(Expressed in Canadian dollars)

7. SHARE CAPITAL *(Cont'd.)*

d. Share purchase warrants outstanding:

Outstanding warrants at March 31, 2011 were as follows:

Expiry	Price ($)	Outstanding 1-Oct-10	Exercised	Expired	Granted	Outstanding 31-Mar-11
15-Jan-15	0.2/0.25 (i)	8,103,325	(103,325)	-	-	8,000,000
15-Jan-15	0.15	800,000	(240,132)	-	-	559,868
08-Oct-13	0.2/0.25 (ii)	-	-	-	7,443,332	7,443,332
		8,903,325	(343,457)	-	7,443,332	16,003,200

(i) The exercise price of these warrants is $0.20 in the first two years and $0.25 for the remaining three years.
(ii) The exercise price of these warrants is $0.20 in the first year and $0.25 for the remaining one year.

e. Stock-based compensation

On March 3, 2011, the Company amended the exercise price relating to the stock option agreement in December 2010. The stock option agreement granting the right to purchase 2,800,000 shares to two directors and two consultants at $0.18 has been amended to reflect $0.21 per share for a five year period. The fair value of these options granted was estimated using the Black-Scholes option-pricing model assuming an expected life of 5 years, a risk-free rate of 2.44%, expected volatility of 190% and no expected dividends. The weighted average grant date fair value was $0.23 per option. A total Black-Scholes method valuation of $649,884 was charged to operations for the six months ended of March 31, 2011.

f. Contributed surplus:

The Company's contributed surplus comprises of the following:

	31-Mar-11	30-Sep-10
Balance, beginning of the period	$ **268,069**	$ **-**
Values attributed during the period		
Fair value attributed to stock options	649,884	181,523
Fair value attributed to warrants	-	86,546
Fair value attributed to stock options exercised	(128,765)	-
Fair value attributed to warrants exercised	(37,156)	-
Balance, end of period	$ **752,032**	$ **268,069**

8. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

Fair Value Measurement

The fair values of the Company's financial assets and liabilities as of March 31, 2011 were calculated as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 55,224	-	-

8. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT *(Cont'd.)*

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

Credit risk

Credit risk reflects the risk that the Company may be unable to fulfill its payment obligations and is primarily attributable to interest on its cash balance. Cash is held with a reputable Canadian financial institution, from which management believes the risk of loss to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and loan payable. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions.

Market Risks

i) Other Price Risk
The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the market price of the primary minerals identified in its mineral properties. Mineral prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in the prices of the primary minerals could have a negative impact on the Company's ability to raise additional capital. Sensitivity to price risk is remote since the Company has not established any reserves or production.

ii) Currency Risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's mineral properties are located in the Tanzania and value at US Dollar ("US") with the majority of related expenditures being conducted in US currency. The Company is exposed to moderate currency risk as a result of fluctuations in the US dollar.

iii) Interest Rate Risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is minimal as the Company does not have any interest bearing assets or any interest bearing liabilities that are tied into market rates.

9. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, the exploration and development of mineral properties. Segmented geographic information is as follows:

The following table allocates total assets by geographic location:

	Mar 31, 2011	Sep 30, 2009
Canada	$ 55,269	$ 55,991
United States	-	212,596
Tanzania	1054,526	428,565
	$ 1,109,794	$ 697,152

(Expressed in Canadian dollars)

9. SEGMENTED INFORMATION *(Cont'd.)*

The following table allocates net loss and comprehensive loss by geographic location:

	Mar 31, 2011	Mar 31, 2010
Canada	$ 725,227	$ 118,691
United States	11,635	-
Tanzania	890,103	307,524
	$ 1,626,965	$ 426,215

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is advances from related parties and the issuance of share capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.
The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected to match the expected timing of expenditures from continuing operations.

11. COMMITMENTS AND CONTINGENCIES

Pursuant to the Jackson gold mine options agreement, when the Company acquires a 51% interest the Optionor, the Company shall be deemed to have entered into a joint venture (the "**Joint Venture**") for the further exploration and development of the Property and any operation of the Property as a mine. Until the commencement of commercial production, the Optionor's interest in the Joint Venture shall be fully carried and the Company shall be responsible for paying all Joint Venture costs including those of the Optionor.