

RARA TERRA MINERALS CORP.
Condensed Interim Financial Statements
Three & Six Months Ended September 30, 2011

Expressed in Canadian Dollars
(Unaudited)

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 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 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.

Rara Terra Minerals Corp.
 Statements of Financial Position
 (Expressed in Canadian dollars – unaudited)

	Notes	September 30, 2011	March 31, 2011 (Note 10)	April 1, 2010 (Note 10)
ASSETS				
Current assets				
Cash		\$ 1,723,266	\$ 194,087	\$ 217,086
Prepaid expenses		86,000	-	-
Receivables	4	63,871	23,152	1,076
		1,873,137	217,239	218,162
Non-current assets				
Exploration and evaluation assets	5	291,010	83,230	-
		291,010	83,230	-
TOTAL ASSETS		\$ 2,164,147	\$ 300,469	\$ 218,162
LIABILITIES				
Current liabilities				
Accounts payables and accrued liabilities	6	\$ 51,765	\$ 43,571	\$ 10,244
Due to related parties	7	13,522	6,526	5,577
		65,287	50,097	15,821
TOTAL LIABILITIES		65,287	50,097	15,821
SHAREHOLDERS' EQUITY				
Share capital	8	2,544,608	369,384	210,309
Equity reserve	8	269,874	49,613	-
Deficit		(715,622)	(168,625)	(7,968)
TOTAL EQUITY		2,098,860	250,372	202,341
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 2,164,147	\$ 300,469	\$ 218,162

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Fraser Atkinson

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Roger Flowerdew

Rara Terra Minerals Corp.
 Statements of Comprehensive Loss
 (Expressed in Canadian dollars – unaudited)

	Notes	Three month periods ended		Six month periods ended	
		September 30, 2011	September 30, 2010 (Note 10)	September 30, 2011	September 30, 2010 (Note 10)
Expenses					
Bank charges and interest		\$ 40	\$ -	\$ 117	\$ -
Consulting and management fees	7	73,500	-	159,630	-
Exploration		2,551	-	2,551	-
General and administrative		6,388	10,468	9,229	11,977
Investor relations		17,500	-	17,500	-
Professional fees		17,325	1,750	57,279	2,750
Rent	7	10,500	3,000	14,500	6,000
Stock based compensation	8	9,329	33,768	200,833	33,768
Transfer agent and filing fees		8,493	-	38,347	-
Travel and promotion		12,539	-	47,011	-
Net and comprehensive loss for the period		\$ 158,165	\$ 48,986	\$ 546,997	\$ 54,495
Loss per share – basic and diluted	8	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.01)

Rara Terra Minerals Corp.
Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars – unaudited)

	Notes	Share capital		Share-based payment reserve	Other component of equity	Deficit	Total
		Number of shares	Amount				
Restated balance at April 1, 2010	10	3,600,000	\$ 244,136	\$ -	\$ (33,827)	\$ (7,968)	\$ 202,341
Comprehensive income:							
Loss for the period		-	-	-	-	(54,495)	(54,495)
Transactions with shareholders, in their capacity as shareholders and other transfers:							
Shares issued for cash – private placement		3,000,000	300,000	-	33,827	-	333,827
Share issue costs	10	-	(144,752)	15,846	-	-	(128,906)
Stock-based compensation		-	-	33,767	-	-	33,767
Restated balance at September 30, 2010		6,600,000	\$ 399,384	\$ 49,613	\$ -	\$ (62,463)	\$ 386,534
Restated balance at April 1, 2011	10	6,600,000	\$ 399,384	\$ 49,613	\$ (30,000)	\$ (168,625)	\$ 250,372
Comprehensive income:							
Loss for the period		-	-	-	-	(546,997)	(546,997)
Transactions with shareholders, in their capacity as shareholders, and other transfers:							
Shares issued for cash – private placement		9,092,401	2,313,170	-	30,000	-	2,343,170
Flow-through liabilities		-	(40,047)	-	-	-	(40,047)
Share issue costs		-	(233,933)	35,274	-	-	(198,659)
Shares issued for cash – warrant exercise		300,000	45,846	(15,846)	-	-	30,000
Shares issued to acquire exploration and evaluation asset		232,500	60,188	-	-	-	60,188
Stock-based compensation		-	-	200,833	-	-	200,833
Balance at September 30, 2011		16,224,901	\$ 2,544,608	\$ 269,874	\$ -	\$ (715,622)	\$ 2,098,860

See accompanying notes to the financial statements

Rara Terra Minerals Corp.
 Statements of Cash Flows
 (Expressed in Canadian dollars – unaudited)

	Three month periods ended		Six month periods ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010 (Note 10)
Operating activities				
Net loss	\$ (158,165)	\$ (48,986)	\$ (546,997)	\$ (54,495)
Adjustments for non-cash items:				
Stock-based compensation	9,328	33,768	200,832	33,768
Changes in non-cash working capital items:				
Receivables	(24,902)	(3,989)	(40,719)	(5,910)
Prepaid expenses	(86,000)	-	(86,000)	-
Accounts payables and accrued liabilities	(90,915)	(5,209)	(31,853)	4,910
Due to related parties	10,231	5,408	6,996	1,781
Net cash flows from (used in) operating activities	(340,423)	(19,008)	(497,741)	(19,946)
Investing activities				
Acquisition of exploration and evaluation assets	(57,203)	-	(147,593)	-
Net cash flows used in investing activities	(57,203)	-	(147,593)	-
Financing activities				
Proceeds received for shares issued, net of issuance costs	1,071	256,189	2,174,513	256,189
Deferred share issue costs	-	(15,259)	-	(51,269)
Net cash flows from (used in) financing activities	1,071	240,930	2,174,513	204,920
Increase (decrease) in cash	(396,555)	221,922	1,529,179	184,974
Cash, beginning	2,119,821	180,138	194,087	217,086
Cash, ending	\$ 1,723,266	\$ 402,060	\$ 1,723,266	\$ 402,060
Non-cash transaction:				
Fair value of shares issued for acquisition of exploration and evaluation assets	\$ 37,500	\$ -	\$ 60,187	\$ -

1. Nature and continuance of operations

Rara Terra Minerals Corp. (the "Company") was incorporated in the name of Rara Terra Capital Corp. under the British Columbia Business Corporations Act on December 17, 2009. The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange and completed its Qualifying Transaction in May 2011 and changed its name to Rara Terra Minerals Corp. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable.

These unaudited condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2011 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months from existing working capital and or the private placement of common shares.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on November 29, 2011 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

The interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended March 31, 2011. However, this interim financial report provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 10.

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions

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

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

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 options 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.

2. Significant accounting policies and basis of preparation (cont'd)

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.

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 Company 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 Company 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 an impairment has arisen.

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

2. Significant accounting policies and basis of preparation (cont'd)

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.

Flow-through shares:

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

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.

2. Significant accounting policies and basis of preparation (cont'd)

Restoration and environmental obligations (cont'd)

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.

3. Accounting standards issued but not yet effective

Fair Value Measurement:

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). 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.

IFRS 13 is effective for annual periods on or after January 1, 2013, with earlier application permitted. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application. The Company is currently assessing the impact of this standard on our financial statements.

Other Comprehensive Income:

In June 2011, the IASB and the Financial Accounting Standards Board (FASB) issued amendments to standards to align the presentation requirements for other comprehensive income ("OCI"). 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 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 statement or two consecutive statements.

The amendments to IAS 1 set out in Presentation of Items of Other Comprehensive Income and are effective for fiscal years beginning on or after July 1, 2012. The Company is currently assessing the impact of these amendments on our financial statements.

4. Receivables

	September 30, 2011	March 31, 2011
Value-added tax receivables	\$ 63,704	\$ 22,985
Other receivables	167	167
	\$ 63,871	\$ 23,152

5. Exploration and evaluation assets

	March 31, 2011	Additions	September 30, 2011
Acquisition costs:			
Lonnie Property	\$20,000	\$ 24,687	\$ 44,687
Xeno Property	-	120,500	120,500
Total acquisition costs	20,000	145,187	165,187
Exploration and evaluation costs:			
Lonnie Property:			
Consulting	40,830	6,658	47,488
Geological survey	22,400	43,176	65,576
Staking	-	5,350	5,350
Xeno Property:			
Consulting	-	1,618	1,618
Geological survey	-	3,235	3,235
Staking	-	2,556	2,556
Total deferred exploration costs	63,230	62,593	125,823
	\$ 83,230	\$ 207,780	\$ 291,010

Lonnie Property, British Columbia

On January 31, 2011, the Company entered into an agreement to purchase an undivided 60% interest in certain mining claims located in the Omineca Mining division of British Columbia for the following considerations:

a. \$60,000 to be paid as:

- \$10,000 refundable deposit paid Nov 29, 2010 (paid);
- \$10,000 refundable deposit on agreement execution (paid);
- \$20,000 on May 5, 2012; and
- \$20,000 before May 5, 2013.

b. \$500,000 exploration expenditures to be incurred as:

- \$100,000 on or before May 5, 2012;
- \$100,000 on or before May 5, 2013; and
- \$300,000 on or before May 5, 2014.

5. **Exploration and evaluation assets (cont'd)**

Lonnie Property, British Columbia (cont'd)

c.. Shares to be issued as:

- 75,000 on or before the Acceptance Date (issued with a fair value of \$20,625);
- 75,000 on or before May 5, 2012;
- 75,000 on or before May 5, 2013; and
- 60,000 on or before May 5, 2014.

Upon the closing of the Qualifying Transaction, the Company will pay two unrelated individuals cash payments of \$6,000 and share issuance of 30,000 shares in total as finders' fees:

- Cash payments of \$2,000 (paid) and issuance of 7,500 (issued with a fair value of (\$2,062) shares on the Acceptance Date;
- Cash payments of \$2,000 and issuance of 7,500 shares on May 5, 2012;
- Cash payments of \$2,000 and issuance of 7,500 shares on May 5, 2013; and
- Issuance of 7,500 shares on May 5, 2014.

Las Chacras Property, Argentina

On March 25, 2011, the Company entered into an agreement with Golden Santa Cruz S.A. ("GSC") to purchase 100% of the right, title and interest in the Las Chacras Property located in Argentina. Pursuant to the terms of the Las Chacras Agreement, the Company or subsidiary of the Company intends to acquire the Las Chacras Property from GSC by: (i) paying GSC a cash payment of \$25,000; and (ii) allotting and issuing to GSC the Las Chacras Payment Shares, which will be deposited into escrow pursuant to the terms of the Las Chacras Escrow Agreement. 1,000,000 of the Las Chacras Payment Shares escrowed under the Las Chacras Escrow Agreement will be released from escrow upon the Company achieving certain milestones.

In addition, if any of the Las Chacras Payment Shares are released from escrow upon attainment by the Company of any of the milestones, prior to the third anniversary of the Completion of the Qualifying Transaction, such Las Chacras Payment Shares will continue to be held in escrow and will be subject to a timed release schedule as set out in the Las Chacras Escrow Agreement..

As at September 30, 2011, the Exchange had not approved the Las Chacras Agreement nor has the Company been able to re-negotiate acceptable terms of an amended Las Chacras Agreement. Consequently the Company has not paid the cash payment of \$25,000 nor issued any of the 3,000,000 Las Chacras Payment Shares.

Xeno Property, British Columbia

On June 9, 2011, the Company entered into an option agreement to acquire a 100% interest in certain claims in the Xeno property in British Columbia, Canada for the following consideration:

- \$14,500 upon signing of the agreement (paid);
- \$12,500 (paid) and 75,000 common shares upon approval of the Exchange (issued with a fair value of \$18,750);
- \$10,000 and 50,000 common shares on the 1st anniversary of the Exchange approval date; and

Rara Terra Minerals Corp.
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- \$10,000 and 50,000 common shares on the 2nd anniversary of the Exchange approval date.

On June 15, 2011, the Company entered into an option agreement to acquire a 100% interest in certain claims in the Xeno property in British Columbia, Canada for the following consideration:

- \$28,000 upon signing of the agreement (paid);
- \$28,000 (paid) and 75,000 common shares upon approval of the Exchange (issued with a fair value of \$18,750); and
- \$50,000 and 115,000 common shares on the 1st anniversary of the Exchange approval date.

6. Accounts payables and accrued liabilities

	September 30, 2011	March 31, 2011
Accounts payables	\$ 8,538	\$ 40,391
Flow-through liabilities	40,047	-
Accrued liabilities	3,180	3,180
	\$ 51,765	\$ 43,571

7. Related party transactions

Related party balances:

The following amounts are due to related parties:

	September 30, 2011	March 31, 2011
Directors of the Company	\$ 13,522	\$ 6,526

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Related party transactions:

The Company incurred the following transactions with the directors of the Company and company's that are controlled by directors of the Company.

	Six month periods ended	
	September 30, 2011	September 30, 2010
Consulting fees	\$ 131,530	\$ -
Rent	14,500	3,000
	\$ 146,030	\$ 3,000

Key management personnel compensation

	Six month periods ended	
	September 30, 2011	September 30, 2010
Stock-based compensation	\$ 200,833	\$ -

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At September 30, 2011 there were 16,224,901 issued and fully paid common shares (March 31, 2011 – 6,600,000).

Share issuance for private placements

The Company completed a concurrent brokered and non-brokered private placement to issue 8,291,000 non-flow-through units at \$0.25 per unit and 801,401 flow-through units at \$0.30 per unit for total proceeds of \$2,313,170. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at \$0.39 per share for a period of 18 months. A flow-through liability of \$40,047 was recorded in accounts payable and accrued liabilities to recognize the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features. The Company incurred \$198,659 share issuance costs in cash in relation to the private placement, of which \$30,000 was paid during the year end March 31, 2011. The Company also issued the broker 300,160 warrants as finders' fees. The finder's warrants can be exercised at \$0.25 per share for a period of 18 month. The fair value of the finder's warrants was estimated at \$35,274 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0; expected stock price volatility – 100%; risk-free interest rate – 2.57%; expected life of the warrants – 18 months.

Share issuances for exploration and evaluation assets

During the six months ended September 30, 2011, the Company issued 225,000 common shares at a fair value of \$58,125 as part of the purchase price of the Lonnie and Xeno Properties (Note 5). Further, the Company issued 7,500 common shares with a fair value of \$2,062 as finders' fees for the Lonnie Property (Note 5).

Share issuances for exercise of warrants

During the six months ended September 30, 2011, the Company issued 300,000 shares for exercise of warrants at \$0.10 per share for total proceeds of \$30,000. A reversal of share-based payment reserves of \$15,846 was recorded in relation to the exercise of the 300,000 warrants.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the six month period ended September 30, 2011 was based on the loss attributable to common shareholders of \$546,997 (2010 - \$5,509) and the weighted average number of common shares outstanding of 10,526,672 (2010 – 1,400,000).

Diluted loss per share did not include the effect of 1,224,100 stock options as the effect would be anti-dilutive.

Stock options

On March 3, 2010, the directors of the Company consented to adopt a Company Share Option Plan (the "Plan"). The Plan 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 consultants to the Company, non-transferable options to purchase

8. Share Capital (cont'd)

Stock options (cont'd)

common shares, provided that, subsequent to the Company having completed the IPO, the number of common shares reserved for issuance will not exceed 10% of the common shares to be outstanding at closing. Such options may be exercisable for a period of up to 10 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 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 consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any common shares acquired pursuant to the exercise of options prior to completion of the Qualifying Transaction, must be deposited in escrow and will be subject to escrow until the final Exchange bulletin is issued. The approval of the plan is subject to approval by the Exchange and the Company's shareholders.

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

	September 30, 2011		March 31, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	450,000	\$ 0.10	-	\$ -
Options granted	1,024,100	0.26	450,000	0.10
Options granted	50,000	0.26	-	-
Options forfeited	(300,000)	(0.10)	-	-
Options outstanding, end of period	1,224,100	\$ 0.20	450,000	\$ 0.10

Details of options outstanding as at September 30, 2011 are as follows:

Exercise price	Remaining contractual life	Number of options outstanding
\$0.10	3.91 years	450,000
\$0.26	4.59 years	724,100
\$0.26	4.77 years	50,000
		1,224,100

At September 30, 2011, the weighted average remaining contractual life of options outstanding was 4.35 years.

The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

8. Share Capital (cont'd)

Stock options (cont'd)

	Six month period ended September 30, 2011	Year ended March 31, 2011
Expected life of options	5 years	5 years
Annualized volatility	100%	100%
Risk-free interest rate	2.32%	2.16%
Dividend rate	0%	0%

Warrants

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

	September 30, 2011		March 31, 2011	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of period	300,000	\$ 0.10	-	\$ -
Warrants granted	4,546,201	0.39	300,000	0.10
Finder's warrants	300,160	0.25	-	-
Warrants exercised	(300,000)	(0.10)	-	-
Warrants outstanding, end of period	4,846,361	\$ 0.38	300,000	\$ 0.10

Details of warrants outstanding as at September 30, 2011 are as follows:

Weighted average exercise price	Remaining contractual life	Number of warrants outstanding
\$ 0.34	1.10 years	4,546,201
\$ 0.25	1.10 years	300,160
		4,846,361

Share-Based Payment Reserves

The share-based payment reserve records items recognized as stock-based compensation expense and finders' fees until such time that the stock options and finders' warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the options or warrants expire unexercised, the amount recorded is transferred to deficit.

9. 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:

Financial risk management (cont'd)

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 cash is deposited in bank accounts held with major banks in Canada. The Company's cash is held by a 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 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.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at September 30, 2011:

	Within one year	Between one and five years	More than five years
Accounts payable	\$ 51,765	\$ -	\$ -
Due to related parties	13,522	-	-
	\$ 65,287	\$ -	\$ -

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company mainly operates in Canada; therefore, it is not exposed to foreign exchange risks.

minimal interest rate risk.

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's cash on hand is subject to minimal interest rate risk.

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 year.

Financial risk management (cont'd)

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

Classification of financial instruments

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

	September 30, 2011	March 31, 2011
Cash	\$ 1,723,266	\$ 194,087
Prepaid expenses	86,000	-
Loans and receivables:		
Receivables	63,871	23,152
	<u>\$ 1,873,137</u>	<u>\$ 217,239</u>

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

	September 30, 2011	March 31, 2011
Non-derivative financial liabilities:		
Accounts payable	\$ 51,765	\$ 40,391
Due to related parties	13,522	6,526
	<u>\$ 65,287</u>	<u>\$ 46,917</u>

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.

Financial instruments classified as level 1 – quoted prices in active markets include cash.

10. 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 in these financial statements, making them the first interim financial statements of the Company under IFRS. 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", January 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.

10. Transition to IFRS (cont'd)

Exemptions applied

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

- The Company has elected not to apply IFRS 2, "Share-based Payments", to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.

Additionally, in accordance with IFRS 1, an entity's estimate under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of April 1, 2010 are consistent with its GAAP estimates for the same date.

Reconciliation of Canadian GAAP to IFRS

The adoption of IFRS had no impact on the comprehensive loss for the six months ended September 30, 2010 and the year ended March 31, 2011 that were previously reported in accordance with Canadian GAAP.

Reconciliation of equity

	Notes	March 31, 2011	September 30, 2010	April 1, 2010
Equity previously reported under Canadian GAAP		\$ 280,372	\$ 386,534	\$ 236,168
Adjustments upon adoption of IFRS:				
Reallocation of deferred share issuance costs to:				
Deferred share issue costs	10(a)	(30,000)	-	(33,827)
Equity reported under IFRS		\$ 250,372	\$ 386,534	\$ 202,341

a. Other component of equity

Under Canadian GAAP, deferred share issuance costs were recorded as assets. Under IFRS, these amounts have been reclassified as other component of equity.

b. Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as share-based payment reserves.

11. Subsequent Event

On November 3, 2011, 330,000 common shares were released from escrow.