RARA TERRA MINERALS CORP.

(FORMERLY RARA TERRA CAPITAL CORP.)

FINANCIAL STATEMENTS

MARCH 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rara Terra Minerals Corp.(Formerly Rara Terra Capital Corp.):

We have audited the accompanying financial statements of Rara Terra Minerals Corp., which comprise the balance sheets as at March 31, 2011 and 2010, and the statements of loss, comprehensive loss and deficit and cash flows for the year ended March 31, 2011 and the period from December 17, 2009 (Inception) to March 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Rara Terra Minerals Corp. as at March 31, 2011 and 2010 and the results of its operations, and its cash flow for the year ended March 31, 2011 and the period from December 17, 2009 (Inception) to March 31, 2010, in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which describe certain conditions that give rise to substantial doubt about the entity's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not qualified in respect of this matter.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
July 21, 2011

RARA TERRA MINERALS CORP.
(FORMERLY RARA TERRA CAPITAL CORP.)
BALANCE SHEETS

	March 31, 2011	March 31, 2010
ASSETS		
CURRENT		
Cash	$ 194,087	$ 217,086
Receivables	23,152	1,076
	217,239	218,162
DEFERRED SHARE ISSUE COSTS (Notes 6 and 10)	30,000	33,827
MINERAL PROPERTIES (Note 4)	83,230	-
	$ 330,469	$ 251,989
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 43,571	$ 10,244
Due to related party (Note 5)	6,526	5,577
	50,097	15,821
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	399,384	244,136
CONTRIBUTED SURPLUS (Note 6)	49,613	-
DEFICIT	(168,625)	(7,968)
	280,372	236,168
	$ 330,469	$ 251,989

Nature and Continuance of Operations (Note 1)
Subsequent Events (Note 10)

On behalf of the board:

"Fraser Atkinson"
Director

"Roger Flowerdew"
Director

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

RARA TERRA MINERALS CORP.
(RARA TERRA CAPITAL CORP.)
STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

	Year Ended March 31, 2011	December 17, 2009 (Inception) to March 31, 2010
EXPENSES		
Bank charges and interest	$ 168	$ 34
General and administrative	12,016	4,934
Professional fees	51,326	-
Rent (Note 5)	12,000	3,000
Stock based compensation (Note 6)	33,767	-
Transfer agent and filing fees	23,122	-
Travel and promotion	28,258	-
NET AND COMPREHENSIVE LOSS	(160,657)	(7,968)
DEFICIT, BEGINING	(7,968)	-
DEFICIT, ENDING	$ (168,625)	$ (7,968)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.04)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	4,033,836	866,667

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

RARA TERRA MINERALS CORP.
(FORMERLY RARA TERRA CAPITAL CORP.)
STATEMENTS OF CASH FLOWS

	Year Ended March 31, 2011	December 17, 2009 (Inception) to March 31, 2010
OPERATING ACTIVITIES		
Net loss	$ (160,657)	$ (7,968)
Non-cash item		
- Stock based compensation	33,767	-
Changes in non-cash working capital items		
- Receivables	(22,076)	(1,076)
- Accounts payable and accrued liabilities	33,327	-
- Due to related party	949	5,577
Cash flows used in operating activities	(114,690)	(3,467)
FINANCING ACTIVITIES		
Proceeds received for shares issued, net of issuance costs	204,921	244,136
Deferred share issue costs	(30,000)	(23,583)
Cash flows from financing activities	174,921	220,553
INVESTING ACTIVITIES		
Acquisition of mineral properties	(83,230)	-
Cash flows used in investing activities	(83,230)	-
INCREASE (DECREASE) IN CASH	(22,999)	217,086
CASH, BEGINNING	217,086	-
CASH, ENDING	$ 194,087	$ 217,086

SUPPLEMENTARY CASH FLOW INFORMATION:

Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

During the year ended March 31, 2011, the Company recorded $nil (2010 - $10,244) of deferred share issue costs in accounts payable and accrued liabilities. The Company reallocated $33,827 (2010 - $nil) from deferred share issue costs to proceeds received for shares issued.

NOTE 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. As a CPC, the Company's principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange ("Qualifying Transaction"). A CPC has 24 months from when the shares are listed on the Exchange to complete a Qualifying Transaction. Such a transaction will be subject to shareholder and regulatory approval. Until completion of the Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. The Company completed its Qualifying Transaction subsequent to March 31, 2011 and changed its name to Rara Terra Minerals Corp. (Note 10).

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. The recoverability of the amounts shown for mineral properties 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 financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Should the Company be unable to continue as a going concern, significant adjustments to asset values may be necessary. Several conditions cast substantial doubt on the validity of this assumption. At March 31, 2011, the Company had not yet achieved profitable operations, has accumulated losses of $168,625 since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise equity financing, the attainment of profitable operations, and external financings.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

Use of Estimates and Assumptions
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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the carrying value of the mineral properties, fair value of warrants and stock based transactions and the expected tax rates for future income tax recoveries. Where estimates have been used financial results as determined by actual events could differ from those estimates.

Loss Per Share
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 loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during this period. Basic and diluted loss per common share is calculated using the weighted-average number of common shares outstanding during the period.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Stock-based Compensation

The Company follows the fair value method of accounting for all stock-based compensation. The fair value of stock options granted is determined using the Black-Scholes option pricing model. When options to purchase shares are granted to employees or directors, the fair value of the options on the date of the grant is recognized as a compensation expense, with a corresponding increase in contributed surplus, over the period during which the related options vest. When options to purchase shares are granted to non-employees in return for goods or services, the fair value of the options granted is recognized as an expense, with a corresponding increase in contributed surplus, in the period in which the goods or services are received or are expected to be received. The consideration received on the exercise of share options is credited to share capital. When options are exercised, previously recorded compensation is transferred from contributed surplus to share capital to fully reflect the consideration for the shares issued.

Mineral properties

Costs related to the acquisition, exploration, and development of mineral properties are capitalized by property until the properties begin commercial production, or are sold, abandoned or determined by management to be impaired in value. If commercially profitable reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized on the units of production method. If, after management review, it is determined that capitalized acquisition, exploration, and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned or management deems there to be an impairment in value, the property is written down to its net realizable value.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and the future profitable production or proceeds from the disposition thereof. Title to resource 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 convincing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties is in good standing.

Financial instruments

The Company has made the following designations of its financial instruments: cash as held-for-trading; amounts receivable as loan and receivables; accounts payable and amounts due to related parties as other financial liabilities.

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862-"Financial Instruments-Disclosure" requires an entity to classify fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The levels and inputs which may be used to measure fair value are as follows:

1. Level 1- fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities
2. Level 2- fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
3. Level 3- applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred share issue costs

Deferred share issue costs consist of costs relating to the listing of the Company on the Exchange and undertaking an IPO, and costs related to share issuances. Upon successful completion of the IPO and share issuances, these costs will be recorded as a reduction of share capital. If the IPO or share issuance is not successfully completed, these costs will be charged to the statement of loss, comprehensive loss and deficit.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards (“IFRS”)

In 2006, Canada’s Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards (“IFRS”) over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The adoption of IFRS will require the Company to prepare its comparative figures for the year ended March 31, 2011 in accordance with IFRS. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Business Combinations, Consolidated Financial Statements and Non-controlling interest

For interim and annual financial statements relating to fiscal years commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 “Business Combinations”, Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”. Section 1582 replaces existing Section 1581 “Business Combinations”, and Sections 1601 and 1602 together replace Section 1600 “Consolidated Financial Statements”. The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 “Business Combinations” and International Accounting Standard (“IAS”) 27 “Consolidated and Separate Financial Statements” respectively. The impact of adopting these new standards has not yet been assessed.

Other accounting pronouncements issued by the CICA with future effective dates have been reviewed by management and determined to be either not applicable or are not expected to be significant to the financial statements of the Company.

NOTE 4 – MINERAL PROPERTIES

The Company’s mineral properties consist of:

	March 31, 2010	Additions	March 31, 2011
Acquisition costs:			
Lonnie Property	$ -	$ 20,000	$ 20,000
Total acquisition costs	-	20,000	20,000
Exploration costs:			
Lonnie Property:			
Consulting	-	40,830	40,830
Geological survey	-	22,400	22,400
Total deferred exploration costs	-	63,230	63,230
	$ -	$ 83,230	$ 83,230

NOTE 4 – MINERAL PROPERTIES (Continued)

Lonnie Property, British Columbia

On January 31, 2011, the Company entered into an agreement to purchase an undivided 60% of 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 the first anniversary date of the final acceptance of the Company's Qualifying Transaction ("Acceptance Date"); and
   - $20,000 before the 2nd anniversary of the Acceptance Date.

b) $500,000 exploration expenditures to be incurred as:
   - $100,000 on or before the 1st anniversary of the Acceptance Date;
   - $100,000 on or before the 2nd anniversary of the Acceptance Date; and
   - $300,000 on or before the 3rd anniversary of the Acceptance Date.

c) Shares to be issued as:
   - 75,000 on or before the Acceptance Date;
   - 75,000 on or before the 1st anniversary of the Acceptance Date;
   - 75,000 on or before the 2nd anniversary of the Acceptance Date; and
   - 60,000 on or before the 3rd anniversary of the Acceptance Date

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 and issuance of 7,500 shares on Acceptance Date;
- Cash payments of $2,000 and issuance of 7,500 shares on the 1st anniversary of the Acceptance Date;
- Cash payments of $2,000 and issuance of 7,500 shares on the 2nd anniversary of the Acceptance Date; and
- Issuance of 7,500 shares on the 3rd anniversary of the Acceptance Date.

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 (in any order) any of the following milestones:

a) the Company completing financings for aggregate gross proceeds of at least $5,000,000 subsequent to the closing of the Las Chacras Transaction, excluding proceeds from the financing completed subsequent to March 31, 2011 (Note 10);

b) the Company obtaining an NI 43-101 technical report, excluding the Technical Report, that evidences NI 43-101 compliant resources in excess of 50,000 tonnes total rare earth equivalents for any property acquired by the Company (or its subsidiary(s)) during Christopher Ecclestone's tenure as CEO of the Company; and

NOTE 4 – MINERAL PROPERTIES (Continued)

Las Chacras Property, Argentina (continued)

c) the Company acquiring a project or property that qualifies as a producer (a property on which there is already a producing mine) or near-term producer (a property for which a bankable feasibility report has been completed and financing has been arranged to achieve commercial production on such property) via takeover, merger, acquisition or otherwise.

In addition, if any of the Las Chacras Payment Shares are released from escrow upon attainment by the Company of any of the milestones set forth above, 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 March 31, 2011, the Company has not paid the cash payment of $25,000 nor issued 3,000,000 Company shares.

NOTE 5 – RELATED PARTY TRANSACTION

At March 31, 2011, the Company has balances of $6,526 (2010: $5,577) owing to directors of the Company for expense reimbursements. These amounts are unsecured, non-interest bearing and do not have a fixed term for repayment.

Commencing January 1, 2010, the Company pays $1,000 per month for the use of premises to a company with a common director. During the year ended March 31, 2011, the Company was charged $12,000 (2010- $3,000) for rent.

Related party transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties.

NOTE 6 – SHARE CAPITAL

Common Shares

Authorized:

Unlimited common shares without par value

Issued:	Number of Shares	Amount
Balance as at December 17, 2009 (Inception)	1	$ -
Common shares issued for cash at $0.05 per share	2,200,000	110,000
Common shares issued for cash at $0.10 per share	1,400,000	140,000
Cancelled share	(1)	-
Share issuance costs	-	(5,864)
Balance as at March 31, 2010	3,600,000	244,136
Common shares issued for IPO at $0.10 per share	3,000,000	300,000
Share issuance costs – cash	-	(128,906)
Share issuance costs – warrants	-	(15,846)
Balance as at March 31, 2011	6,600,000	$ 399,384

NOTE 6 – SHARE CAPITAL (Continued)

Common Shares (continued)

During the year ended March 31, 2011, the Company completed an IPO and issued 3,000,000 shares at $0.10 per share for total proceeds of $300,000. The Company incurred share issuance costs of $128,906 in cash, of which $33,827 had been recorded in deferred share issuance cost in the prior year, and issued 300,000 agent's warrant exercisable at $0.10 per share for a period of two years. The following assumptions were used for the Black-Scholes valuation of these warrants: Expected dividend yield – 0; Expected stock price volatility – 100%; Risk-free interest rate – 1.61%; Expected life of warrants – 2 years. The fair value was determined to be $15,846 and was charged to share issuance costs and recorded as contributed surplus.

During the period ended March 31, 2010, the Company issued 2,200,000 common shares to directors of the Company. All the shares will be subject to an escrow agreement in accordance with the Exchange Policy 2.4. The shares will be released as follows: 10% upon the issuance of notice of final acceptance of a Qualifying Transaction by the Exchange (subsequently released), and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months.

During the period ended March 31, 2010, the Company issued 1,400,000 common shares at a price of $0.10 per share by way of a private placement.

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 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.

On August 27, 2010, the Company granted 450,000 stock options to its directors and officers at a price of $0.10 for a period of five years. The following assumptions were used for the Black-Scholes valuation of these stock options granted: Expected dividend yield – 0; Expected stock price volatility – 100%; Risk-free interest rate – 2.16%; Expected life of options – 5 years. The fair value was determined to be $33,767 and was charged to stock based compensation expense and contributed surplus.

Expiry Date	Price ($)	Outstanding March 31, 2010	Granted	Exercised	Cancelled/ Expired	Outstanding March 31, 2011	Exercisable March 31, 2011
August 27, 2015	0.10	-	450,000	-	-	450,000	450,000
		-	450,000	-	-	450,000	450,000

The outstanding options have a weighted average price of $0.10 and a weighted average life of 4.41 years.

NOTE 6 – SHARE CAPITAL (Continued)

Warrants

Expiry Date	Price ($)	Outstanding March 31, 2010	Granted	Exercised	Cancelled/ Expired	Outstanding March 31, 2011
August 27, 2012	0.10	-	300,000	-	-	300,000
		-	300,000	-	-	300,000

The outstanding warrants have a weighted average price of $0.10 and a weighted average life of 1.41 years.

Contributed Surplus

Balance, March 31, 2010	$	-
Stock Options Granted		33,767
Warrants issued		15,846
Balance, March 31, 2011	$	49,613

NOTE 7 – INCOME TAXES

The provision for income taxes differs from the amount that would have resulted in applying Canadian federal and provincial statutory rates as follows:

		2011		2010
Loss before income taxes	$	(160,657)	$	(7,968)
Statutory income tax rate		28%		29.5%
Expected income tax recovery at statutory income tax rate		(44,984)		(2,351)
Tax effect of share issuance costs not recognized		(36,094)		(9,979)
Non-deductible item		9,455		-
Effect of difference between future and current tax rates		7,674		1,881
Change in valuation allowance		63,949		10,449
Income tax provision	$	-	$	-

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

Non-capital losses	$	42,338	$	2,479
Share issuance costs		32,060		7,970
		74,398		10,449
Valuation allowance		(74,398)		(10,449)
Net future income tax asset	$	-	$	-

Management has determined that the realization of the potential income tax benefits related to the non-capital losses and other tax pools is not likely at this time. Accordingly, the Company has recorded a valuation allowance for the potential future income tax asset.

As at March 31, 2011, the Company has a non-capital loss of approximately $169,000 that may be applied against future income for Canadian income tax purposes and expiring from 2030.

NOTE 8 – FINANCIAL INSTRUMENTS

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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 whose balance at March 31, 2011 is $194,087. Cash is held with a major bank in Canada which minimizes the risk.

The Company's secondary exposure to credit risk is on its receivables. The most significant receivable is a refund of Harmonized Sales Tax which gives rise to minimal risk as this balance is recoverable from a government agency.

Currency Risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest Rate Risk
Interest rate risk refers to the risk that future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as bank accounts earn interest income at variable rates.

Liquidity Risk
Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash on hand. As at March 31, 2011, the Company was holding cash of $194,087.

NOTE 9 – CAPITAL MANAGEMENT

The Company manages its capital, consisting of share capital and cash, in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors.

The Company's objectives when managing capital are:

a) To safeguard the Company's ability to continue as a going concern; and

b) To facilitate the completion of a Qualifying Transaction.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial statements. There was no change in the Company's approach to capital management from the prior year. The Company's capital is not subject to any external restrictions.

NOTE 10 – SUBSEQUENT EVENTS

a) Subsequent to the year ended March 31, 2011, the Company obtained the Exchange approval on its Qualifying Transaction to acquire a 60% interest in the Lonnie Property and changed its name to Rara Terra Minerals Corp.. The Company also 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 deposit of $30,000 was paid to the broker during the year ended March 31, 2011 and recorded as deferred share issuance costs.

b) Subsequent to the year ended March 31, 2011, the Company granted 1,074,100 stock options to its directors and consultants with an exercise price of $0.26 per share for a period of five years.

c) Subsequent to the year ended March 31, 2011, the Company entered into an option agreement to acquire a 100% interest in a property consisting of eight claims in the Xeno property in British Columbia for the following considerations:

   i) $14,500 upon signing of the agreement (paid);
   ii) $12,500 and 75,000 common shares upon approval of the Exchange;
   iii) $10,000 and 50,000 common shares on the 1st anniversary of the Exchange approval date: and
   iv) $10,000 and 50,000 common shares on the 2nd anniversary of the Exchange approval date.

   The property is subject to a 0.5% Net Smelter Royalty ("NSR") which can be purchased by the Company for $250,000.

d) Subsequent to the year ended March 31, 2011, the Company entered into an option agreement to acquire a 100% interest in a property consisting of 20 claims in the Xeno property British Columbia for the following considerations:

   i) $28,000 upon signing of the agreement (paid);
   ii) $28,000 and 75,000 common shares upon approval of the Exchange; and
   iii) $50,000 and 115,000 common shares on the 1st anniversary of the Exchange approval date.

e) Subsequent to the year ended March 31, 2011, the Company staked claims adjacent to the Lonnie and Xeno properties.

f) Subsequent to the year ended March 31, 2011, the Company received $30,000 subscription for exercise of the agent's warrants.