FAR RESOURCES LTD.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

MARCH 31, 2012 AND 2011

CHARTERED ACCOUNTANTS
MacKay LLP

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Independent Auditor's Report

To the Shareholders of
Far Resources Ltd.

We have audited the accompanying financial statements of Far Resources Ltd., which comprise the statements of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended March 31, 2012 and March 31, 2011, 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 International Financial Reporting Standards, and for such internal control as management determines 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 audits 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 we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Far Resources Ltd. as at March 31, 2012, March 31, 2011, and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

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

"MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
July 30, 2012

FAR RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	March 31, 2012	March 31, 2011	April 1, 2010 (Note 13)
ASSETS			
Current assets			
Cash and cash equivalents	$ 700,515	$ 52,768	$ 38,854
HST receivable	18,719	-	-
Prepaids	6,190	-	-
Total current assets	725,424	52,768	38,854
Non-current assets			
Deferred financing costs	-	20,000	-
Exploration and evaluation assets (Note 4)	47,473	46,973	28,260
Total non-current assets	47,473	66,973	28,260
Total assets	$ 772,897	$ 119,741	$ 67,114
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities (Note 5)	$ 58,491	$ 81,291	$ 20,578
Deferred premium on flow-through shares (Note 11)	40,000	-	-
Total current liabilities	98,491	81,291	20,578
Shareholders' equity			
Reserves (Note 6)	358,103	196,000	196,000
Capital stock (Note 6)	1,228,534	385,000	325,000
Subscriptions received (Note 6)	-	5,000	-
Deficit	(912,231)	(547,550)	(474,464)
Total shareholders' equity	674,406	38,450	46,536
Total liabilities and shareholders' equity	$ 772,897	$ 119,741	$ 67,114

Nature and continuance of operations (Note 1)
Commitment (Note 11)

Approved and authorized on behalf of the Board on July 27, 2012:

"Leon F. Anderson" Director ***"Keith C. Anderson"*** Director

Leon F. Anderson *Keith C. Anderson*

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

FAR RESOURCES LTD.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED MARCH 31

	2012	2011 (Note 13)
EXPENSES		
Consulting	$ 27,000	$ 2,500
Management fees (Note 7)	69,000	30,000
Office	17,664	586
Professional fees (Note 7)	82,933	30,000
Property investigation costs	-	10,000
Share-based compensation (Note 7)	139,685	-
Transfer agent and filing fees	22,061	-
Travel	6,338	-
Comprehensive loss for the year	$ (364,681)	$ (73,086)
Basic and diluted loss per common share	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding	14,620,274	6,883,289

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

FAR RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED MARCH 31

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (364,681)	$ (73,086)
Items not involving cash:		
Share-based compensation	139,685	-
Changes in non-cash working capital items:		
Increase in receivables	(18,719)	-
Increase in prepaid expenses	(6,190)	-
Increase (decrease) in accounts payable and accrued liabilities	21,200	32,500
Net cash used in operating activities	(228,705)	(40,586)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(5,500)	(10,500)
Net cash used in investing activities	(5,500)	(10,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	1,025,000	60,000
Proceeds from exercise of warrants	5,000	-
Share issuance costs	(148,048)	-
Subscriptions received	-	5,000
Net cash provided by financing activities	881,952	65,000
Change in cash and cash equivalents for the year	647,747	13,914
Cash and cash equivalents, beginning of year	52,768	38,854
Cash and cash equivalents, end of year	$ 700,515	$ 52,768
Cash and cash equivalents consist of:		
Cash on hand	$ 690,015	$ 52,768
Term deposits	11,500	-
	$ 700,515	$ 52,768
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for taxes	$ -	$ -

Supplemental disclosures with respect to cash flows (Note 8)

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

FAR RESOURCES LTD.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Capital Stock					
	Shares	Amount	Subscriptions Received	Reserves	Deficit	Total Shareholders' Equity
Balance, April 1, 2010 (Note 13)	6,880,001	$ 325,000	$ -	$ 196,000	$ (474,464)	$ 46,536
Shares issued for:						
Private placements	1,200,000	60,000	-	-	-	60,000
Subscriptions received	-	-	5,000	-	-	5,000
Loss and comprehensive loss	-	-	-	-	(73,086)	(73,086)
Balance, March 31, 2011 (Note 13)	8,080,001	$ 385,000	$ 5,000	$ 196,000	$ (547,550)	$ 38,450
Balance, April 1, 2011	8,080,001	$ 385,000	$ 5,000	$ 196,000	$ (547,550)	$ 38,450
Shares issued for:						
Private placements	9,000,000	850,000	(5,000)	-	-	845,000
Flow-through private placement	1,000,000	180,000	-	-	-	180,000
Flow-through premium	-	(40,000)	-	-	-	(40,000)
Debt settlement	126,666	19,000	-	-	-	19,000
Exercise of warrants	100,000	5,000	-	-	-	5,000
Agent's shares	100,000	15,000	-	-	-	15,000
Share issue costs – cash	-	(148,048)	-	-	-	(148,048)
Share issue costs – shares	-	(15,000)	-	-	-	(15,000)
Share issue costs – agent's warrants	-	(42,018)	-	42,018	-	-
Share-based compensation	-	-	-	139,685	-	139,685
Release of founder shares from escrow	-	19,600	-	(19,600)	-	-
Loss and comprehensive loss	-	-	-	-	(364,681)	(364,681)
Balance, March 31, 2012	18,406,667	$ 1,228,534	$ -	$ 358,103	$ (912,231)	$ 674,406

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Far Resources Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia. The Company's head office is located at Suite 2255 William Street, Vancouver, BC, V5L 2S5. The Company's registered and records office is located at Suite 650 – 1188 West Georgia Street, Vancouver, BC, V6E 4A2.

The Company is a mineral exploration company focused on acquiring, exploring and developing resource properties.

On December 8, 2011, the Company completed its initial public offering of 4,000,000 common shares at $0.15 per share for gross proceeds of $600,000 and is now trading on the CNSX under the stock symbol FAT.

Going concern of operations

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at March 31, 2012 the Company has had significant losses. In addition, the Company has not generated significant revenues from operations. The Company has financed its operations primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt. These circumstances lend doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS

Statement of compliance

The Company previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") as set in the Handbook of the Canadian Institute of Chartered Accountant ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS ("International Financial Reporting Standards") and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these financial statements.

These are the Company's first annual financial statements prepared in accordance with IFRS. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. These annual financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They have also been applied in preparing an opening IFRS statement of financial position at April 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS1"). The impact of the transition from Canadian GAAP to IFRS is explained in Note 13.

2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS (cont'd…)

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss and available-for-sale which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The most significant estimates relate to the valuation of share-based payments; valuation of deferred income tax amounts; carrying value of exploration and evaluation assets; impairment testing; valuation of premium on flow-through shares; and accrued liabilities.

The most significant judgments relate to the recoverability of exploration and evaluation assets; accounting for flow-through shares; recognition of deferred financing costs; recognition of deferred tax assets and liabilities; and determination of the economic viability of a project.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash is comprised of cash on hand and cash equivalents. Cash equivalents are short-term, highly liquid holdings that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Receivables

Receivables are recorded at face value less any provisions for uncollectible amounts considered necessary.

Mineral properties – exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties – exploration and evaluation assets (cont'd…)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Impairment of tangible and intangible assets

At the end of each reporting date, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in statement of comprehensive loss for the period. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

Financial instruments

Financial assets and liabilities are classified into one of the following categories based on the purpose for which the asset or liability was acquired. The Company's accounting policy for the categories is as follows:

Financial Assets

Fair value through profit or loss ("FVTPL") – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial Assets (cont'd…)

Loans and receivables ("LAR") - Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity ("HTM") - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale ("AFS") - Non-derivative financial assets not included the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

Financial liabilities

Fair value through profit or loss ("FVTPL") – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities ("OFL") - This category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company's financial assets and liabilities are classified as follows:

Financial Instruments	Classification
Cash and cash equivalents	LAR
HST receivable	LAR
Accounts payable and accrued liabilities	OFL

Impairment

All financial assets except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd…)

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that do not affect either accounting or taxable loss, or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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 the year. For the current and prior periods this calculation proved to be anti-dilutive.

Loss per share is calculated using the weighted average number of common shares outstanding during the year.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-base compensation is transferred to accumulated losses (deficit). The corporation estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Share issue costs

Share issue costs are deferred and charged directly to capital stock on completion of the related financing. If the financing is not completed share issue costs are charged to operations. Costs directly identifiable with the raising of capital will be charged against the related capital stock.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Accounting policies adopted

Flow-through shares

The Company finances a portion of its exploration activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying resource expenditures to the investors. At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received as follows:

- Share capital
- Warrant reserve; and
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature

As qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time (before or after the end of the reporting period). Additionally, the Company reverses the liability for the flow-through share premium to income as the expenses are incurred.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future accounting changes

At the date of authorization of these financial statements, the IASB has issued the following new and revised standards, amendments and interpretations which are not yet effective for the year ended March 31, 2012.

- IFRS 9 — New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets and financial liabilities (iii)
- IFRS 10 — New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities (ii)
- IFRS 11 — New standard to account for the rights and obligations in accordance with a joint arrangement (ii)
- IFRS 12 — New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39 (iii)
- IFRS 13 — New standard on the measurement and disclosure of fair value (ii)
- IAS 1 (Amendment) — Presentation of other comprehensive income (i)
- IAS 28 (Amendment) — New standard issued that supercedes IAS 28 (2003) to prescribe the Accounting for investments in associates and joint ventures (ii)
- IAS 32 (Amendment) — Financial instruments presentation amendment that provides clarification on the application of offsetting rules (i)

(i) Effective for annual periods beginning on or after July 1, 2012
(ii) Effective for annual periods beginning on or after January 1, 2013
(iii) Effective for annual periods beginning on or after January 1, 2015

4. EXPLORATION AND EVALUATION ASSETS

The following exploration expenses were incurred on the exploration and evaluation assets:

	Tchentlo Lake Project
Balance, April 1, 2010	$ 28,260
Additions:	
Consulting	18,213
Maintenance	500
Balance, March 31, 2011	46,973
Additions:	
Maintenance	500
Balance, March 31, 2012	$ 47,473

During the period from incorporation to March 31, 2012, the Company staked various claims in the Tchentlo Lake Property located approximately 100 kilometres northwest of Fort St. James, British Columbia. The Company holds a 100% interest in the Tchentlo Lake Property comprised of six mineral tenures in two separate claim blocks.

The Company has investigated title to its mineral property and, to the best of its knowledge, title to its property is in good standing.

(Expressed in Canadian Dollars)

5. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Payables and accrued liabilities for the Company are broken down as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Trade payables	$ 7,671	$ 8,213	$ -
Accrued liabilities	15,000	35,000	-
Due to related parties (Note 7)	35,820	38,078	20,578
Total	$ 58,491	$ 81,291	$ 20,578

6. CAPITAL STOCK AND RESERVES

a) Authorized capital stock:

As at March 31, 2012, the authorized capital stock of the Company was:
Unlimited number of common shares without par value;
All issued shares are fully paid.

b) Issued capital stock:

During the year ended March 31, 2012, the Company:

i) issued 5,000,000 units at $0.05 for proceeds of $250,000. Each unit consists of one common share and one non-transferable common share purchase warrant which entitles the holder to purchase one common share on or before June 30, 2012 at a price of $0.15.

ii) completed its initial public offering ("IPO") by issuing 4,000,000 common shares at $0.15 per share for gross proceeds of $600,000. In connection with the IPO, the Company:
   a) paid share issuance costs of $135,448,
   b) issued 400,000 agent's warrants with a fair value of $37,586, and
   c) issued 100,000 shares at $0.15 per share as a payment of share issuance costs.

iii) completed a non-brokered private placement, issuing 1,000,000 "flow-through" common shares at $0.18 per share for gross proceeds of $180,000. In connection with the private placement, the Company:
   a) paid share issuance costs of $12,600, and
   b) issued 70,000 agent's warrants with a fair value of $4,432.

iv) issued 100,000 shares for warrants exercised.

v) issued 126,666 shares at $0.15 per share to settle debt to a director.

During the year ended March 31, 2011, the Company:

i) issued 1,200,000 units at $0.05 per unit for proceeds of $60,000. Each unit consists of one common share and one non-transferable common share purchase warrant which entitles the holder to purchase one common share on or before June 30, 2012 at a price of $0.15.

ii) received $5,000 in subscriptions received in advance.

(Expressed in Canadian Dollars)

6. CAPITAL STOCK AND RESERVES (cont'd…)

b) Issued capital stock: (cont'd...)

As at March 31, 2012, 5,850,000 (March 31, 2011 – 4,000,000; April 1, 2010 – Nil) common shares included in capital stock are held in escrow. The shares subject to escrow will be released as follows:

i) 10% (released) upon the issuance of notice of listing of the common shares for trading by the CNSX, and
ii) the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months.

c) Stock options

The Company follows the policies of the CNSX under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of ten years.

	Number of Options		Weighted Average Exercise Price
Balance, April 1, 2010 and March 31, 2011	-	$	-
Granted	1,100,000		0.15
Balance, March 31, 2012, expiring November 30, 2016	1,100,000	$	0.15
Number of options currently exercisable	1,100,000	$	0.15
Weighted average contractual remaining life (years)			4.67
Weighted average value of options granted during the year			0.13

The following assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	March 31, 2012	March 31, 2011
Risk-free interest rate	2.23 %	-
Expected life of options	5 years	-
Annualized volatility	125 %	-
Dividends	-	-

(Expressed in Canadian Dollars)

6. CAPITAL STOCK AND RESERVES (cont'd…)

d) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, April 1, 2010	-	$ -
Granted	1,200,000	0.15
March 31, 2011	1,200,000	0.15
Granted	5,000,000	0.15
Exercised	(100,000)	0.15
Balance, March 31, 2012	6,100,000	$ 0.15

As at March 31, 2012, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
6,100,000	$ 0.15	June 30, 2012 (expired subsequently)

Agent's warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, April 1, 2010 and March 31, 2011	-	$ -
Granted	470,000	0.15
Balance, March 31, 2012	470,000	$ 0.15

As at March 31, 2012, the following agent's warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
400,000	$ 0.15	December 8, 2013
70,000	$ 0.18	December 29, 2012
470,000		

(Expressed in Canadian Dollars)

6. CAPITAL STOCK AND RESERVES (cont'd…)

d) Warrants (cont'd…)

The following assumptions were used for the Black-Scholes valuation of agent's warrants granted during the year:

	March 31, 2012	March 31, 2011
Risk-free interest rate	0.86 %	-
Expected life of options	1.85 years	-
Annualized volatility	125 %	-
Dividends	-	-

7. RELATED PARTY TRANSACTIONS

Related party transactions are as follows:

Paid or accrued to:	Nature of transaction	March 31, 2012	March 31, 2011
a Director	Management	$ 18,000	$ 30,000
a Director	Management	12,000	-
the CEO	Management	39,000	-
a firm of which the CFO is a partner	Accounting	28,700	-
Directors and Officers	Share-based compensation (i)	139,685	-
		$ 237,385	$ 30,000

(i) Share-based compensation is the fair value of options granted and vested to key management personnel. There were no post employment benefits, termination benefits, or other long-term employment benefits paid to key management in either 2012 or 2011.

The amounts due to related parties included in accounts payable and accrued liabilities are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Due to a firm of which the CFO of the Company is a partner	$ 13,640	$ -	$ -
Due to a directors of the Company (ii)	22,180	38,078	20,578
	$ 35,820	$ 38,078	$ 20,578

(ii) During the year ended March 31, 2012, the Company issued 126,666 shares at $0.15 per share to settle debt to a director.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOW

During the year ended March 31, 2012, significant non-cash transactions included:

a) $3,213 (2011 - $8,213) of exploration and evaluation assets in accounts payable.

b) $42,018 (2011 - $Nil) of agent's warrants fair value as part of share issuance costs.

c) $19,000 (2011 - $Nil) of debt to a related party settled through issuance of common shares.

d) Shares issued as share issue costs $15,000 (2011 - $Nil).

9. SEGMENTED INFORMATION

The Company operates in one industry segment, being exploration and development of mineral properties in British Columbia.

10. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. capital stock and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements. The Company's overall strategy remains unchanged from 2011.

Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

10. CAPITAL AND FINANCIAL RISK MANAGEMENT (cont'd…)

Financial risk factors

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

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major Canadian financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2012, the Company had a cash balance of $700,515 (March 31, 2011 – $52,768; April 1, 2010 - $38,854) to settle current liabilities of $98,491 (March 31, 2011 – $81,291; April 1, 2010 – $20,578). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company's cash and cash equivalents do not have significant exposure to interest. As of March 31, 2012, March 31, 2011 and April 1, 2010, the Company did not have any investments.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at March 31, 2012, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

11. COMMITMENT

In connection with the issuance of flow-through common shares in December 2011, the Company has a commitment to incur $180,000 of qualifying flow-through expenditures by December 2012.

As at March 31, 2012 the Company had approximately $180,000 remaining on its commitment.

(Expressed in Canadian Dollars)

12. INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2012	2011
Loss before taxes for the year	$ (354,181)	$ (73,086)
Canadian federal and provincial income tax rates	26.13%	28.00%
Expected income tax recovery based on the above rates	$ 95,273	$ 20,464
Effect of change in Canadian and foreign tax rates	(2,531)	-
Non-deductible items	(36,493)	-
Tax benefit not realized	(56,249)	(20,464)
Deferred income tax recovery	$ -	$ -

The significant components of the Company's deferred income tax assets and liabilities, using a Canadian basic statutory rate of 25% are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Non-capital losses	$ 152,000	$ 87,888	$ 69,616
Share issuance costs	30,000	-	-
	182,000	87,888	69,616
Unrecognized deferred tax assets	(182,000)	(87,888)	(69,616)
Net deferred tax assets	$ -	$ -	$ -

At March 31, 2012, the Company has accumulated non-capital losses of approximately $605,000 (2011 - $351,500; 2010 - $278,464) which may be available to offset future income for income tax purposes which expire over the next twenty years. If not utilized, the non-capital losses expire as follows:

2026	$ 71,000
2027	73,000
2028	53,000
2029	50,000
2030	30,000
2031	73,000
2032	255,000
	$ 605,000

In addition, there are resource-related expenditures of approximately $47,000 which may be used to offset future taxable resource income indefinitely, subject to annual rates prescribed by the Canadian Income Tax Act. Deferred tax benefits, which may arise as a result of these losses, have not been recognized in these financial statements as it is not probable that the Company will generate future taxable income against which to utilize the temporary differences.

13. FIRST TIME ADOPTION OF IFRS

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

The accounting policies in Note 3 have been applied as follows:

- in preparing the financial statements for the year ended March 31, 2012;
- the comparative information for the year ended March 31, 2011;
- the statement of financial position as at March 31, 2011; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, April 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the year ended March 31, 2011 and the statement of financial position as at March 31, 2011, the Company has made no adjustments to amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. There were no differences due to the transition from Canadian GAAP to IFRS that affect the Company's financial statements.

Additionally, in accordance with IFRS 1, an entity's estimates 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 Canadian GAAP estimates for the same date.