ERIN VENTURES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

NINE MONTHS ENDED MARCH 31, 2012 AND 2011

(EXPRESSED IN CANADIAN DOLLARS)

(Unaudited – Prepared by Management)

Head Office
203, 645 Fort Street
Victoria, British Columbia
V8W 1G2

THE ACCOMPANYING FINANCIAL STATEMENTS HAVE NOT BEEN REVIEWED OR AUDITED BY THE COMPANY'S AUDITORS.

ERIN VENTURES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)

ASSETS

	March 31, 2012	June 30, 2011 Note 14	July 1, 2010 Note 14
Current			
Cash	**$727528**	$2200911	$280576
HST receivable	**65140**	44241	29463
Prepaids	**37080**	-	-
Assets held for sale – Note 6	**-**	-	750715
Total Current Assets	**829748**	2245152	1060754
Equipment – Note 4	**16663**	21501	2891
Exploration and evaluation assets– Notes 5 and 8	**4351058**	2556190	1434372
Total Assets	**$5197469**	$4822843	$2498017

LIABILITIES

Current			
Accounts payable and accrued liabilities – Note 8	**$ 358,411**	$ 344,276	$ 369,868
Liabilities held for sale – Note 6	**-**	-	158,507
Total Liabilities	**358,411**	344,276	528,375

SHAREHOLDERS' EQUITY

Share capital – Note 7	**19166912**	18196214	14929524
Share subscriptions receivable – Note 7	**(269784)**	(149784)	(126484)
Share-based payment reserve – Note 7	**1146230**	1060130	650330
Deficit	**(15204300)**	(14627993)	(13483728)
Total Equity	**4839058**	4478567	1969642
Total Liabilities and Equity	**$5197469**	$4822843	$2498017

Basis of Presentation – Note 2
Subsequent Event – Note 13

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 23, 2012. They are signed on the Company's behalf by:

"Tim Daniels" *"Dennis La Point"*
Director Director

See accompanying notes to the condensed consolidated interim financial statements

ERIN VENTURES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)

	3 months ended March 31, 2012	3 months ended March 31, 2011	**9 months ended March 31, 2012**	9 months ended March 31, 2011
		Note 14		Note 14
Administrative expenses				
Accounting and audit fees	**$14999**	$5000	**$45130**	$20000
Consulting fees – Note 8	**61562**	-	**103562**	1040
Depreciation	**1613**	184	**4838**	618
Filing fees	**6732**	3500	**11039**	14750
Interest and bank charges	**1910**	2655	**6645**	4861
Investor relations – Note 8	**-**	-	**-**	33000
Legal fees	**6119**	10000	**16597**	20000
Management fees – Note 8	**129000**	39000	**213500**	117000
Office and miscellaneous – Note 8	**37198**	25682	**95651**	80789
Rent – Note 8	**6735**	3500	**18980**	10500
Share-based payments – Note 7	**5093**	-	**27008**	231420
Telephone	**2660**	1358	**7432**	4862
Transfer agent fees	**1792**	1264	**6331**	6408
Travel and promotion – Note 8	**22063**	29092	**72333**	91427
Loss before other items	**(297476)**	(121235)	**(629046)**	(636675)
Other items:				
Foreign exchange (loss) gain	**2998**	3081	**(6531)**	10622
Write-off of exploration and evaluation assets	**-**	(347200)	**-**	(347200)
Gain on accounts payable write-off	**-**	1500	**59270**	4500
Net loss and comprehensive loss for the period	**($294478)**	($463874)	**($576307)**	($968773)
Basic and diluted loss per share	**$0.00**	$0.00	**$0.00**	$0.00
Weighted average number of shares outstanding	**160154857**	153751095	**156505309**	134011901

See accompanying notes to the condensed consolidated interim financial statements

ERIN VENTURES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31
(Unaudited – Prepared by Management)

	2012	2011
		Note 14
Operating Activities		
Net loss for the period	**($576307)**	($968773)
Items not affecting cash:		
Depreciation	**4838**	618
Foreign exchange gain	-	10622
Gain on accounts payable write-off	**(59270)**	-
Share-based payments	**27008**	231420
Shares issued for services	**228000**	-
Write-off of exploration and evaluation assets	-	347220
	(375731)	(378893)
Changes in non-cash working capital items related to operations:		
HST receivable	**(20899)**	(2004)
Prepaids	**(37080)**	-
Accounts payable and accrued liabilities	**36353**	(212694)
	(397357)	(593591)
Financing Activities		
Share subscriptions received	-	125433
Issuance of common shares, net of share issuance costs	**599472**	2881165
	599472	3006598
Investing Activities		
Exploration and evaluation asset expenditures	**(1675498)**	(389959)
Proceeds on disposal of assets held for sale, net of liabilities	-	591493
	(1675498)	201534
Change in cash during the period	**(1473383)**	2614541
Cash, beginning of the period	**2200911**	280576
Cash, end of the period	**$727528**	$2895117

Supplemental disclosure of cash flow information:

Cash paid for:

Interest	$ -	$ -
Income taxes	$ -	$ -

Non-Cash Investing and Financing Activities – (Note 9)

See accompanying notes to the condensed consolidated interim financial statements

ERIN VENTURES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)

	Number of shares	Share capital	Share subscriptions received (receivable)	Share-based payment reserve	Deficit	Total equity
June 30, 2011 (Note 14)	154,561,310	18,196,214	$ (149,784)	$ 1,060,130	$ (14,627,993)	$ 4,478,567
Share-based payments	-	-	-	27,008	-	27,008
Share-based payments for exploration and evaluation assets	-	-	-	59,092	-	59,092
Shares issued for exploration and evaluation assets	193,547	23,226	-	-	-	23,226
Warrants exercised	150,000	22,500	-	-	-	22,500
Private placement	9,555,000	955,500	(120,000)	-	-	835,500
Less: Share issuance costs	-	(30,528)	-	-	-	(30,528)
Loss for the period	-	-	-	-	(576,307)	(576,307)
March 31, 2012	164,459,857	$ 19,166,912	$ (269,784)	$ 1,146,230	$ (15,204,300)	$ 4,839,058
July 1, 2010 (Note 14)	120,513,476	$ 14,929,524	$ (126,484)	$ 650,330	$ (13,483,728)	$ 1,969,642
Share subscriptions received	-	-	251,917	-	-	251,917
Share-based payments	-	-	-	231,420	-	231,420
Issued for exploration and evaluation assets:						
Options	-	-	-	38,775	-	38,775
Units	1,500,000	180,000	-	133,200	-	313,200
Options exercised	330,000	33,000	-	(38,775)	-	(5,775)
Warrants exercised	9,160,000	897,250	-	-	-	897,250
Private placement	22,500,000	2,250,000	-	-	-	2,250,000
Shares issued for services	214,286	15,000	-	-	-	15,000
Less: Share issuance costs	-	(224,835)	-	-	-	(224,835)
Loss for the period	-	-	-	-	(968,773)	(968,773)
March 31, 2011	154,217,762	$ 18,079,939	$ 125,433	$ 1,014,950	$ (14,452,501)	$ 4,767,821

See accompanying notes to the condensed consolidated interim financial statements

Note 1 Nature of Operations and Ability to Continue as a Going Concern

Erin Ventures Inc. ("the Company") was incorporated under the laws of the Province of Alberta on July 19, 1993 and on May 28, 2001 registered in the Province of British Columbia as an extra-provincial company. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX.V"), under the symbol "EV". The address of the Company's corporate office and principal place of business is suite 203, 645 Fort Street, Victoria, British Columbia, Canada.

The Company is in the development stage and is in the process of exploring and developing its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof. Managements' plan in this regard is to secure additional funds through future equity financings, which either may not be available or may not be available on reasonable terms.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization value may be substantially different from carrying value as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2012, the Company had not yet achieved profitable operations, has accumulated losses of $15,204,300 and expects to incur further losses in the development of its business, all of which casts substantial doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due.

Note 2 Basis of Presentation

a) Statement of Compliance

The Canadian Institute of Chartered Accountants Handbook was revised in 2010 to incorporate International Financial Reporting Standards ("IFRS") and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. The Company has commenced reporting on this basis in these condensed consolidated interim financial statements. These condensed consolidated interim financial statements are stated in Canadian dollars unless otherwise noted.

Note 2 **Basis of Presentation** (Continued)

a) Statement of Compliance (Continued)

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting and IFRS 1, First-Time Adoption of International Financial Reporting Standard. Subject to certain transition elections disclosed in Note 14, we have consistently applied the same accounting policies in our opening IFRS balance sheet as at July 1, 2010 and throughout all periods presented, as if the policies had always been in effect. Note 14 discloses the impact of the transition from pre-changeover Canadian Generally Accepted Accounting Principles ("cGAAP") to IFRS on our reported financial position, operating earnings and cash flows, including the nature and effect of significant changes in accounting policies from those used in our consolidated financial statements for year ended June 30, 2011. IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on our transition date of July 1, 2010 and allows certain exemptions on transition to IFRS. The elections adopted by the Company and have been disclosed in Note 14.

The policies applied in these condensed consolidated interim financial statements are presented in Note 3 and are based on IFRS issued and outstanding as of May 23, 2012, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ended June 30, 2012 could result in restatement of these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the consolidated financial statements.

b) Basis of Measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Subsidiaries and Principles of Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries: 766072 Alberta Inc., Ceibo Resources Ltd., Balkan Gold Corp., Carolina Gold Corp. and Canamanian Resources Inc. 766072 Alberta Inc. is a holding company. Balkan Gold Corp. was incorporated in Serbia for the purposes of complying with Serbian regulatory requirements related to the Piskanja property. Carolina Gold Corp. was incorporated in the State of Delaware, USA, on January 16, 2007, for purposes of developing exploration and evaluation assets in the US. Ceibo Resources Ltd. was incorporated in Belize for the purposes of developing exploration and evaluation assets. Canamanian Resources Inc. was incorporated in Panama on December 18, 2009, for purposes of developing exploration and evaluation assets. All intercompany transactions and balances have been eliminated upon consolidation.

Note 2 **Basis of Presentation** (Continued)

d) Significant Accounting Judgments and Estimates

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The carrying value and recoverable amount of exploration and evaluation assets;
- The inputs used in accounting for share-based payments expense in the statements of operations and comprehensive loss;
- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductable temporary differences will reverse in the foreseeable future and that the Company will have future taxable income; and
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that exist during the period.

Note 3 Significant Accounting Policies

The accounting policies set out below are expected to be adopted for the year ending June 30, 2012 and have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS balance sheet at July 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Cash

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The remaining maturities at point of purchase are at 3 months or less, with no penalties on early retirement. The Company places its cash with chartered Canadian banks. As at March 31, 2012 and 2011, the Company had no cash equivalents.

Note 3 **Significant Accounting Policies** (Continued)

b) Equipment

Equipment is recorded at cost and depreciated over their estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Depreciation is recorded when equipment is put in use over the estimated useful life using the following methods and rates:

Office equipment	5 years straight line
Computer equipment	5 years straight line
Vehicle	5 years straight line

c) Exploration and evaluation assets

Upon acquiring the legal right to explore an exploration and evaluation asset, costs related to the acquisition, exploration and evaluation are capitalized as incurred. Cost incurred before the Company has obtained the legal rights to explore an area are recognized in profit and loss. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets 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 exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

Note 3 **<u>Significant Accounting Policies</u>** (Continued)

d) Impairment

At the end of each reporting period, 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 a 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 the profit or loss for the period. For an asset that does not generate largely independent cash inflows, 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 profit or loss.

e) Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation 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 rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation 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 rehabilitation 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.

Note 3 **<u>Significant Accounting Policies</u>** (Continued)

f) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The presentation currency and functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

g) Incidental Revenue

Revenue is recognized from the sale of gold when the price is determinable, the product has been delivered and title has been transferred to the customer and collection of the sales price is reasonably assured. Incidental revenue is set off against related project and exploration expenditures.

h) Assets Held for Sale

Assets classified as held for sale are those that their carrying amount will be recovered through a sale transaction rather than through continuing use, and expected to be sold within a twelve month period and there is no longer intent to hold for future use. Assets held for sale are valued at the lower of cost and fair value less cost of disposal.

i) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss for the period available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

Basic and diluted loss per share are the same for the periods presented.

j) Share Consideration

Agent’s warrants, stock options and other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued according to the residual method.

Note 3 **<u>Significant Accounting Policies</u>** (Continued)

k) 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.

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 fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

l) Income Taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the 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.

Deferred tax is recorded using the statement of financial position 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. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and 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 balance sheet 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. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Note 3 **Significant Accounting Policies** (Continued)

m) Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

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

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - 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 cost using the effective interest method. If there is objective evidence that the investment 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 through profit or loss.

Available-for-sale - Non-derivative financial assets not included in 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 through other comprehensive income (loss).

All financial assets except for those at fair value through profit or loss 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 a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash at fair value through profit and loss. The Company's receivables are classified as loans and receivables.

Note 3 **Significant Accounting Policies** (Continued)

m) Financial Instruments (Continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

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

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities and assets held for sale are classified as other financial liabilities.

The Company designated cash (Level 1) as held for trading assets, measured at fair value. Accounts payable and accrued liabilities are designated as other financial liabilities and measured at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement. The Company had neither available-for-sale, nor held-to-maturity instruments during the period ended March 31, 2012.

The Company is required to disclose the inputs used in fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data

The Company has determined that no adjustments are currently required for transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading.

n) Future Accounting Changes

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Note 3 **<u>Significant Accounting Policies</u>** (Continued)

n) Future Accounting Changes (Continued)

Accounting Standards Issued and Effective January 1, 2013

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard

- requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements
- defines the principle of control, and establishes control as the basis for consolidation
- sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee
- sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 *Disclosure of Involvement* with Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

Note 3 **Significant Accounting Policies** (Continued)

n) Future Accounting Changes (Continued)

Accounting Standards Issued and Effective January 1, 2013 (Continued)

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

Accounting Standards Issued and Effective January 1, 2015

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

Note 4 **Equipment**

	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	VEHICLE	TOTAL
COST				
Balance, July 1, 2010	$ 8390	$ 25009	$	$ 33399
Additions		-	25295	25295
Balance, June 30 and March 31, 2012	$ 8,390	$ 25,009	$ 25,295	$ 58,694
ACCUMULATED DEPRECIATION				
Balance, July 1, 2010	$ 7721	$ 22787	$ -	$ 30508
Depreciation for the period	669	2222	3794	6685
Balance, June 30, 2011	8390	25009	3794	37193
Depreciation for the period		-	4838	4838
Balance, March 31, 2012	$ 8390	$ 25009	$ 8632	$ 42031
CARRYING AMOUNTS				
July 1, 2010	$ 669	$ 2222	$	$ 2891
June 30, 2011	$	$ -	$ 21501	$ 21501
March 31, 2012	$	$ -	$ 16663	$ 16663

Note 5 Exploration and evaluation assets

	USA	Serbia	Canada	Total
Balance, June 30, 2011	$1326220	$816606	$413364	$2556190
Acquisition costs				
Cash	13769	-	-	13769
Shares and options	82318	-	-	82318
Deferred exploration costs				
Administration and rent	6599	-	-	6599
Advances	-	91537	-	91537
Consulting and geological consulting	49304	357122	-	406426
Drilling	7491	738187	-	745678
Field work and supplies	-	464934	-	464934
Travel	8231	18447	-	26678
Incidental Revenue	-	(43071)	-	(43071)
Balance, March 31, 2012	$1493932	$2443762	$413364	$4351058

	USA	Serbia	Panama	Canada	Total
Balance, June 30, 2010	$1070200	$193048	$161300	$9824	$1434372
Acquisition costs					
Cash	33454	-	44916	9500	87870
Shares, options and warrants	138123	-	-	365467	503590
Deferred exploration costs					
Administration and rent	5630	158149	-	-	163779
Advances	-	87640	-	-	87640
Consulting and geological consulting	78813	303319	143535	16970	542637
Field work and supplies	-	74450	-	8617	83067
Travel	-	-	-	2986	2986
	1326220	816606	349751	413364	2905941
Less: written off	-	-	(349751)	-	(349751)
Balance, June 30, 2011	$1326220	$816606	$ -	$413364	$2556190

Note 5 Exploration and evaluation assets (Continued)

Deep River Gold Project, North Carolina, United States of America ("USA")

By agreement dated June 15, 2006, the Company entered into a strategic alliance with another company to acquire, explore and develop exploration and evaluation assets in the Southeastern United States. The term of the agreement is five years, in which the Company will acquire a 100% interest in the project subject to completion of a work program totaling US$400,000, to be funded during the first year of the agreement. In addition, the Company advanced $55,897 (US$50,000) for land acquisition costs.

The agreement also includes a five-year management contract with the other company, which requires the Company to make annual share-based payments of US$30,000 as compensation for facilities rental; grant 600,000 stock options per year, up to a maximum of 1,800,000 unexercised stock options held at one time by the other company (granted 900,000 during the period ended March 31, 2012 (June 30, 2011 – 330,000; June 30, 2010 – 300,000)); pay annual lease costs to third party owners as required; and pay consulting fees at a rate of US$550 per day for a minimum of 100 days annually.

The other company will retain a 0.80% production royalty on the property. By March 31, 2012 the Company had accrued US$206,250 in consulting fees relating to this management contract.

The Company has the option to purchase the production royalty during the 60 day period following completion of a positive feasibility study for 1% of the value of proven and probable gold plus 1% of the other economically recoverable minerals to a maximum of $4,000,000.

Volujski Kljuc ("VK") Property, Serbia

The Serbian Ministry of Mining has issued to the Company's wholly owned subsidiary, Balkan Gold, an exclusive exploration license for the Volujski Kljuc ("VK") alluvial gold deposit in Serbia.

Piskanja Property, Serbia

The Company has entered in to a binding agreement with the Serbian-state-owned mining company, JP PEU, for the joint development of the Piskanja boron deposit, located in Serbia as follows:

i) The Company's wholly owned Serbian subsidiary, Balkan Gold doo ("Balkan"), will apply for an exclusive exploration license (obtained) on the Piskanja property and conduct a geological study on the deposit. If results are positive, Balkan will then compose a feasibility study for mine development. Balkan is responsible for 100 per cent of the costs related to these studies and retains 100% ownership at this stage.

Note 5 **Exploration and evaluation assets** (Continued)

Piskanja Property, Serbia (Continued)

ii) When the feasibility study is complete, Balkan and JP PEU will form a joint venture company that will apply for an exploitation license. However, in the event that JP PEU's corporate structure does not allow for it to enter into this joint venture (as is currently the case), Balkan will retain the right to apply for the exploitation license on its own and retain 100% interest in the project.

iii) Ownership in the joint venture company will be directly proportional to the value of the assets contributed by each party. Balkan will be responsible for providing all the financing required to develop the mine and ore-processing facilities. JP PEU will contribute certain existing infrastructure assets in its possession (such as a power substation, access roads, rail spur, office and maintenance buildings in strategic proximity to the property) and historical research data from previous exploration programs at Piskanja. The determination of the assets to be contributed by JP PEU to the joint venture will be at the sole discretion of Balkan. These assets will be contributed at their established fair market value.

iv) An official determination of percentage ownership will occur at the completion of the mine development and be based upon the amount that has been actually spent by Balkan on exploration and mine development and the fair market value of the assets contributed by JP PEU.

v) Each party will have representation on the board of directors of the joint venture company on a basis that reflects its pro rata ownership of the joint venture company.

Santa Rosa Property, Panama

The Company, in conjunction with Pageland Minerals Ltd. a private company with directors in common ("Pageland"), has entered into an agreement to purchase majority control of the assets of the Santa Rosa Gold Mine in Panama in exchange for US $1,550,000 payable as follows:

- A US$75,000 down payment at the time of signing of the agreement (paid);
- A second payment of US$75,000 due upon the completion of transfer of land title;
- US$500,000 due and payable when the mineral rights and mining permits associated with the Santa Rosa Mine have been re-established by the Panamanian government and granted exclusively to the Optionor;
- A second payment of US$500,000 is payable 90 days after the first payment of US $500,000;
- A final payment of US $400,000 is payable 180 days after the first payment of US $500,000.

Note 5 Exploration and evaluation assets (Continued)

Santa Rosa Property, Panama (Continued)

The Company will retain an undivided 75% interest and Pageland will retain an undividued 25% interest in the Santa Rosa Mine, with each partner responsible for their prorata share of the purchase price and the payments and expenditures. The Company will act as operator of the mine and the Optionor will be entitled to receive 10% of the net profits of the mine operations. Title will revert to the Optionor upon completion of mining.

During the year ended June 30, 2011, the Company decided not to pursue the option agreement and wrote-off the exploration and evaluation assets.

Yukon Property, Canada

During the year ended June 30, 2010 the company entered into an agreement to purchase a 100% interest in a Yukon property, which has 36 Quartz Claims, in exchange for:

- Cash payment of $25,000 (paid);
- 1,500,000 common shares of the Company (issued);
- 1,500,000 warrants, exercisable into one common share of the Company for $0.10 for two years (granted);
- payment of 3% net smelter royalty;
- $20,000 expenditure of exploration on the property by June 1, 2010 (completed); and
- a further $100,000 expenditure of exploration on the property by May 15, 2011 (during the year ended June 30, 2011 the Company was given an extension to July 1, 2012).

Note 6 Assets Held for Sale

Ceibo Chico Property, Belize

During the year ended June 30, 2011 the Company completed the sale of its undivided right, title and interest together with related assets of the Ceibo Chico property as follows:

i) A $50,000 non-refundable deposit payable to the Company within two weeks of completion of due diligence (received);

ii) An additional $700,000 cash payment is due to the Company upon closing (received $520,000 in cash and had $180,000 in debt forgiven);

iii) The Company retains a 90% interest in a 3 per-cent NSR on any hard rock production. During the year ended June 30, 2011, the Company agreed to purchase the remaining 10% interest in the NSR for US$45,000 (paid). The buyer may purchase the NSR from the Company for $1-million per point, or $3-million in total;

iv) Pay a gold royalty of US$30,030 (paid).

Note 6 Assets Held for Sale (Continued)

Ceibo Chico Property, Belize (Continued)

v) The buyer agrees to spend $350,000 on exploration by the third anniversary of the agreement or the property reverts back to the Company.

Assets disposed of in the transaction includes the following at June 30, 2010:

	June 30, 2010
Mining equipment	$399429
Vehicle	1287
Mineral property	350000
	$750716

The Company settled amounts payable totaling $158,507 consisting of $94,757 payable in relation to the property, and a finder's fee of $63,750.

Note 7 Share Capital

a) Authorized:

Unlimited voting common shares without par value
Unlimited preferred shares without par value

b) Issued common shares:

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

i) issued 193,547 common shares pursuant to a mineral property agreement for the Deep River Gold Project, valued at $0.12 per share for total value of $23,226.

ii) issued 150,000 shares for proceeds of $22,500 for warrants exercised.

iii) issued 9,555,000 units at $0.10 per unit for private placements. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.25 per share until February 10, 2014. All of the proceeds have been allocated to shares issued and none to the warrants. At March 31, 2012, the Company had not collected $120,000 in respect to shares issued. At March31, 2012 these subscriptions were still receivable.

Note 7 **<u>Share Capital</u>** (Continued)

b) Issued common shares (Continued)

During the year ended June 30, 2011, the Company:

i) issued 22,500,000 units at $0.10 per unit for private placements. Each unit consisted of one common share and one share purchase warrant. For 16,500,000 warrants, each warrant entitles the holder to purchase one common share at $0.15 per share until December 2, 2011 and at $0.25 per share until December 2, 2012. For 6,000,000 warrants, each warrant entitles the holder to purchase one common share at $0.15 per share until January 7, 2012 and at $0.25 per share until January 7, 2013. All of the proceeds have been allocated to shares issued and none to the warrants.

ii) issued 407,834 shares, valued at $45,000, for services rendered on the Santa Rosa, Panama property.

iii) issued 1,500,000 units for mineral property option payments. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.10 per share until September 21, 2012. The shares were valued at $180,000 based on the market price of the shares on the date issued, and the warrants were valued at $139,100 using the Black-Scholes option pricing model to estimate the fair value of the warrants using the

Dividend yield	Nil
Annualized volatility	136%
Risk-free interest rate	1.40%
Expected life	2 years

following assumptions:

At June 30, 2011, the Company had not collected $149,784 in respect to share subscriptions for shares issued.

c) Commitments:

Share purchase options

The Company has granted directors and employees common share purchase options. Additional common share purchase options were also granted pursuant to exploration and evaluation assets acquisition agreements. These options are granted with an exercise price equal to the market price of the Company's shares on the date of the grant. The aggregate number of options are restricted to 10% of the total common shares issued and outstanding, and the number of options to any individual is restricted to 5% of the total common shares issued and outstanding, unless that individual is a consultant, in which case the number is restricted to 2%. The options may not be assigned nor transferred, and can have a term of no more than 5 years. The options vest at the discretion of the directors.

Note 7 **Share Capital** (Continued)

c) Commitments: (Continued)

Share purchase options (Continued)

A summary of the status of share purchase options outstanding is presented below:

	Nine months ended March 31, 2012		Year ended June 30, 2011	
	SHARES	**WEIGHTED AVERAGE EXERCISE PRICE**	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of period	**6080000**	**$0.14**	4150000	$0.13
Expired	**(1900000)**	**$0.14**	(500000)	$0.10
Granted	**1275000**	**$0.16**	2760000	$0.15
Exercised	**-**	**-**	(330000)	$0.10
Outstanding at end of period	**5455000**	**$0.15**	6080000	$0.14
Exercisable at end of period	**5455000**	**$0.15**	6080000	$0.14

The weighted average remaining life of options outstanding at March 31, 2012 is 1.67 years (June 30, 2011 – 1.81 years).

At March 31, 2012, the Company has 5,455,000 share purchase options outstanding entitling the holder thereof the right to purchase one common share for each option held as follows:

Number of Options	Exercise Price	Expiry Date
300000	$0.10	June 30, 2012
300000	$0.17	August 24, 2012
300000	$0.16	October 13, 2012
1750000	$0.15	October 15, 2012
300000	$0.15	January 1, 2013
330000	$0.10	September 16, 2013
300000	$0.16	October 13, 2013
300000	$0.16	October 13, 2014
1500000	$0.16	December 7, 2015
75000	$0.10	January 24, 2017
5455000		

Note 7 **Share Capital** (Continued)

c) Commitments: (Continued)

Share purchase options (Continued)

The fair value of the share-based payments during the period ended March 31, 2012 was $86,100 (2011 - $270,195) of which $27,008 (2011 - $231,420) is included in share-based payments expense and $59,092 (2011 - $38,775) is included in exploration and evaluation asset acquisition costs. Unless otherwise noted, all share purchase options vest when granted. The Company uses the BlackScholes option pricing model to estimate the fair value of the options using the following assumptions:

	2012	2011
Dividend yield	Nil	Nil
Annualized volatility	78 - 117%	125 - 150%
Risk-free interest rate	1.02 – 1.36%	1.00%
Expected life	1 - 5 years	1 – 5 years

Share Purchase Warrants

A summary of the status of share purchase warrants outstanding is presented below:

	Nine months ended March 31, 2012		Year ended June 30, 2011	
	SHARES	**WEIGHTED AVERAGE EXERCISE PRICE**	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of period	**40950500**	**$0.13**	37137527	$0.12
Issued	**9555000**	**$0.25**	24000000	$0.15
Exercised	**(150000)**	**$0.15**	(9310000)	$0.10
Expired	**(9340000)**	**$0.08**	(10877027)	$0.18
Outstanding at end of period	**41,015,500**	**$0.17**	40950500	$0.13

At March 31, 2012, the Company has 41,015,500 common share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of Warrants	Exercise Price	Expiry Date
2625000	$0.15	May 7, 2012*
4985500	$0.20	June 2, 2012
1500000	$0.10	September 15, 2012
16350000	$0.25	December 2, 2012

6000000	$0.25	January 7, 2013
9555000	$0.25	February 10, 2014
41015500		

*expired unexercised subsequently

Note 8 **<u>Related Party Transactions</u>**

The Company incurred the following costs charged by directors of the Company and companies controlled by Directors of the Company:

	2012	2011
Exploration and evaluation assets costs		
Consulting and geological consulting	**$162950**	$6075
Administration and rent	-	39000
Acquisition costs	-	38775
Consulting fees	**38000**	-
Office and miscellaneous	**47500**	45000
Management fees	**213500**	117000
Investor relations fees	-	33000
Rent	**3600**	4500
Recovery of advances receivable	-	(4500)
Travel and promotion	**1800**	2250
	$467350	$281100

Key Management Compensation

	2012	2011
Management fees – cash	$ 123500	$ 117000
Management fees - shares	$ 90000	$ -
Consulting fees	$ 88000	$ 9164

As at March 31, 2012 accounts payable includes $240,840 (June 30, 2011: $177,587) due to directors of the Company and companies with common directors. This amount is comprised of unpaid geological fees, consulting fees, office costs, royalties and travel costs. All amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Note 9 **<u>Non-Cash Investing and Financing Activities</u>**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

Note 9 **Non-Cash Investing and Financing Activities** (Continued)

At March 31, 2012, the Company had $229,841 (June 30, 2011 - $192,789; March 31, 20112 - $7,500) in accounts payable that related to exploration and evaluation assets expenditures.

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

- issued 193,547 common shares valued at $23,226 with respect to exploration and evaluation assets acquisition costs;
- granted 900,000 stock options valued at $59,092 with repect to exploration and evaluation assets costs;
- issued 2,280,000 common shares, as part of the 9,555,000 private placement, valued at $228,000 for services.

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

- issued 214,286 common shares valued at $15,000 for services;
- issued 1,500,000 common shares valued at $180,000 with respect to exploration and evaluation assets acquisition costs;
- issued 1,500,000 warrants valued at $133,200 with respect to exploration and evaluation assets acquisition costs;
- granted 330,000 stock options valued at $38,775 with repect to exploration and evaluation assets costs;
- granted 2,100,000 stock options valued at $231,420 with respect to share-based payments;

Note 10 **Financial Instruments**

The fair value of the financial instruments approximates their carrying value as they are short term in nature.

Financial Instrument Risk Exposure and 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 process. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The types of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

The Company is primarily exposed to credit risk on its bank accounts. Credit risk exposure is limited by placing its cash with high-credit quality financial institutions.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash. The Company believes that these sources will be sufficient to cover the expected short and long term cash requirements.

Note 10 **Financial Instruments** (Continued)

Market Risk (Continued)

The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk, and commodity price risk.

The Company has operations in Canada, the United States Serbia and Belize subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian dollars, United States dollars ("US dollars"), Serbian dinars and Belize dollars, and the fluctuation of the Canadian dollar in relation to these other currencies will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

Financial assets and liabilities denominated in currencies other than the Canadian dollar are as follows:

	March 31, 2012	
	Financial Assets	Financial Liabilities
US dollar	$ -	$205938

Based on the above net exposures at March 31, 2012, and assuming that all other variables remain constant a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of $20,594 in the Company's loss from operations.

Interest Rate Risk

As at March 31, 2012, the Company does not have any interest bearing financial instruments and accordingly the Company is not exposed to interest rate risks.

Note 11 Capital Disclosures

The Company was formed for the purpose of acquiring exploration and development stage natural exploration and evaluation assets. The directors determine the Company's capital structure and make adjustments to it based on funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent upon incidental sales of gold from mining operations and external financing to fund future exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential provided it has adequate financial resources to do so.

Note 11 Capital Disclosures (Continued)

The directors review the Company's capital management approach on an ongoing basis and believe that this approach, given the relative size of the Company, is reasonable. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company considers the items included on the balance sheet in shareholders' equity as capital. 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 new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

The Company's approach to capital management did not change during the period ended March 31, 2012.

Note 12 Segmented Information

Capital assets by geographic segment, at cost:

	March 31, 2012	June 30, 2011	July 1, 2010
Canada	**$413364**	$413364	$12715
Panama	**-**	-	161299
Serbia	**2474425**	838107	193048
United States	**1493932**	1326220	1070200
	$4381721	$2577691	$1437262

Note 13 Subsequent Event

Subsequent to March 31, 2012, the Company announced that it has entered into a non-binding Letter of Intent, which outlines the terms of an Earn-in Option Agreement whereby Mountain Man Minerals Corp. ("MMM"), a private BC company, may acquire the Deep River Gold project from the Company. MMM may earn 100% interest in Deep River in consideration for a total of $250,000 cash, $600,000 worth of shares, a $3,000,000 work expenditure over 4 years, and an ongoing NSR payment based on production.

Note 14 Transition to International Financial Reporting Standards

The condensed consolidated financial statements of the Company have been prepared in compliance with IFRSs as issued by the International Accounting Standards Board ("IASB"). These are the Company's first financial statements prepared in accordance with IFRS. The preparation of the internal consolidated statement of financial position resulted in changes to the accounting policies as compared with the most recent annual balance sheet prepared under pre-changeover cGAAP. The accounting policies set out below have been applied in preparing the opening IFRS statement of financial position as at July 1, 2010, March 31, 2011 and June 30, 2011 for the purposes of the transition to IFRS as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1").

IFRS 1 *"First-time Adoption of International Financial Reporting Standards"*

IFRS 1 generally required that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company has elected to take the following IFRS1 optional exemptions:

- to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;
- to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arose on adoption of IFRS.

The Company applied the following mandatory exception:

Estimates

Hindsight is not used to create or revise estimates. 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 the previous cGAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of July 1, 2010 are consistent with its cGAAP estimates for the same date.

Note 14 Transition to International Financial Reporting Standards (Continued)

IFRS 1 *"First-time Adoption of International Financial Reporting Standards"* (Continued)

Reconciliation to previously reported financial statements

A reconciliation of the changes is included in these following Consolidated Statements of Financial Position and Consolidated Statements of Operations and Comprehensive Income for the dates noted below. The effects of transition from cGAAP to IFRS on the cash flow are not material; therefore a reconciliation of cash flows has not been presented.

- Transitional Consolidated Statement of Financial Position Reconciliation – July 1, 2010.
- Consolidated Interim Statement of Financial Position Reconciliation – March 31, 2011.
- Consolidated Interim Statement of Operations and Comprehensive Loss Reconciliation – for the three months ended March 31, 2011.
- Consolidated Interim Statement of Operations and Comprehensive Loss Reconciliation – for the nine months ended March 31, 2011.
- Consolidated Statement of Financial Position Reconciliation – June 30, 2011.
- Consolidated Statement of Operations and Comprehensive Loss Reconciliation – for the year ended June 30, 2011.

Note 14 Transition to International Financial Reporting Standards (Continued)

The July 1, 2010 cGAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	July 1, 2010 cGAAP	Effect of Transition to IFRS	**July 1, 2010 IFRS**
Assets			
Current			
Cash	$ 280,576	$ -	**$ 280,576**
HST receivable	29,463	-	**29,463**
Assets held for sale	750,715	-	**750,715**
	1,060,754	-	**1,060,754**
Equipment	2,891	-	**2,891**
Exploration and evaluation assets	1,434,372	-	**1,434,372**
	$ 2,498,017	$ -	**$ 2,498,017**
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 369,868	$ -	**$ 369,868**
Liabilities held for sale	158,507	-	**158,507**
	528,375	-	**528,375**
Shareholders' Equity			
Share capital	14,929,524	-	**14,929,524**
Share subscriptions receivable	(126,484)	-	**(126,484)**
Share-based payment reserve	650,330	-	**650,330**
Deficit	(13,483,728)	-	**(13,483,728)**
	1,969,642	-	**1,969,642**
	$ 2,498,017	$ -	**$ 2,498,017**

Note 14 Transition to International Financial Reporting Standards (Continued)

The March 31, 2011 cGAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	March 31, 2011 cGAAP	Effect of Transition to IFRS	**March 31, 2011 IFRS**
Assets			
Current			
Cash	$ 2,895,117	$ -	**$ 2,895,117**
HST receivable	31,467	-	**31,467**
	2,926,584	-	**2,926,584**
Equipment	2,273	-	**2,273**
Exploration and evaluation assets	1,967,149	-	**1,967,149**
	$ 4,896,006	$ -	**$ 4,896,006**
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 128,185	$ -	**$ 128,185**
Shareholders' Equity			
Share capital	18,079,939	-	**18,079,939**
Share subscriptions received	125,433	-	**125,433**
Share-based payment reserve	1,014,950	-	**1,014,950**
Deficit	(14,452,501)	-	**(14,452,501)**
	4,767,821	-	**4,767,821**
	$ 4,896,006	$ -	**$ 4,896,006**

Note 14 Transition to International Financial Reporting Standards (Continued)

The cGAAP consolidated statement of operations and comprehensive loss for the three month period ended March 31, 2011 has been reconciled to IFRS as follows:

	Three months ended March 31, 2011	Effect of Transition to IFRS	**Three months ended March 31, 2011**
	cGAAP		**IFRS**
Administrative expenses			
Accounting and audit fees	$ 5,000	$ -	**$ 5,000**
Depreciation	184	-	**184**
Filing fees	3,500	-	**3,500**
Interest and bank charges	2,655	-	**2,655**
Legal fees	10,000	-	**10,000**
Management fees	39,000	-	**39,000**
Office and miscellaneous	25,682	-	**25,682**
Rent	3,500	-	**3,500**
Telephone	1,358	-	**1,358**
Transfer agent fees	1,264	-	**1,264**
Travel and promotion	29,092	-	**29,092**
	(121,235)	-	**(121,235)**
Other items			
Foreign exchange gain	3,081	-	**3,081**
Write-off of exploration and evaluation assets	(347,220)	-	**(347,220)**
Recovery of advances	1,500	-	**1,500**
Net loss and comprehensive loss for the period	$ (463,874)	$ -	**$ (463,874)**

Note 14 **Transition to International Financial Reporting Standards** (Continued)

The cGAAP consolidated statement of operations and comprehensive loss for the nine month period ended March 31, 2011 has been reconciled to IFRS as follows:

	Nine months ended March 31, 2011	Effect of Transition to IFRS	**Nine months ended March 31, 2011**
	cGAAP		**IFRS**
Administrative expenses			
Accounting and audit fees	$ 20,000	$ -	**$ 20,000**
Consulting fees	1,040	-	**1,040**
Depreciation	618	-	**618**
Filing fees	14,750	-	**14,750**
Interest and bank charges	4,861	-	**4,861**
Investor relations	33,000	-	**33,000**
Legal fees	20,000	-	**20,000**
Management fees	117,000	-	**117,000**
Office and miscellaneous	80,789	-	**80,789**
Rent	10,500	-	**10,500**
Share-based payments	231,420	-	**231,420**
Telephone	4,862	-	**4,862**
Transfer agent fees	6,408	-	**6,408**
Travel and promotion	91,427	-	**91,427**
	(636,675)	-	**(636,675)**
Other items			
Foreign exchange gain	10,622	-	**10,622**
Write-off of exploration and evaluation assets	(347,220)	-	**(347,220)**
Recovery of advances	4,500	-	**4,500**
Net loss and comprehensive loss for the period	$ (968,773)	$ -	**$ (968,773)**

Note 14 Transition to International Financial Reporting Standards (Continued)

The June 30, 2011 cGAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	June 30, 2011 cGAAP	Effect of Transition to IFRS	**June 30, 2011 IFRS**
Assets			
Current			
Cash	$ 2,200,911	$ -	**$ 2,200,911**
HST receivable	44,241	-	**44,241**
	2,245,152	-	**2,245,152**
Equipment	21,501	-	**21,501**
Exploration and evaluation assets	2,556,190	-	**2,556,190**
	$ 4,822,843	$ -	**$ 4,822,843**
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 344,276	$ -	**$ 344,276**
Shareholders' Equity			
Share capital	18,196,214	-	**18,196,214**
Share subscriptions receivable	(149,784)	-	**(149,784)**
Share-based payment reserve	1,060,130	-	**1,060,130**
Deficit	(14,627,993)	-	**(14,627,993)**
	4,478,567	-	**4,478,567**
	$ 4,822,843	$ -	**$ 4,822,843**

Note 14 Transition to International Financial Reporting Standards (Continued)

The cGAAP consolidated statement of operations and comprehensive loss for the year ended June 30, 2011 has been reconciled to IFRS as follows:

	Year ended June 30, 2011	Effect of Transition to IFRS	**Year ended June 30, 2011**
	cGAAP		**IFRS**
Administrative expenses			
Accounting and audit fees	$ 75,471	$ -	**$ 75,471**
Consulting fees	31,690	-	**31,690**
Depreciation	6,685	-	**6,685**
Filing fees	30,565	-	**30,565**
Interest and bank charges	8,905	-	**8,905**
Legal fees	22,049	-	**22,049**
Management fees	156,000	-	**156,000**
Office and miscellaneous	127,145	-	**127,145**
Rent	14,300	-	**14,300**
Share-based payments	235,300	-	**235,300**
Telephone	10,149	-	**10,149**
Transfer agent fees	23,837	-	**23,837**
Travel and promotion	90,684	-	**90,684**
Loss before other items, income taxes and discontinued operations	(832,780)	-	**(832,780)**
Other items:			
Foreign exchange gain	15,573	-	**15,573**
Write-down of exploration and evaluation assets	(349,751)	-	**(349,751)**
Recovery of advances	4,500	-	**4,500**
Loss before taxes and discontinued operations	(1,162,458)	-	**(1,162,458)**
Deferred income tax recovery	110,315	-	**110,315**
Net loss from continuing operations	(1,052,143)	-	**(1,052,143)**
Net loss from discontinued operations	(92,122)	-	**(92,122)**
Net loss and comprehensive loss for the year	$ (1,144,265)	$ -	**$ (1,144,265)**