NICKEL NORTH EXPLORATION

NICKEL NORTH EXPLORATION CORP.

(formerly Orient Venture Capital Inc.)

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
AND THE YEAR ENDED MARCH 31, 2012

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Nickel North Exploration Corp. (formerly Orient Venture Capital Inc.)

We have audited the accompanying financial statements of Nickel North Exploration Corp. which comprise the statements of financial position as at December 31, 2012 and March 31, 2012 and the statements of comprehensive income and (loss), changes in equity and cash flows for the nine months ended December 31, 2012 and for the year ended March 31, 2012, and the related notes comprising 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 as issued by the International Accounting Standards Board, 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 Nickel North Exploration Corp. as at December 31, 2012 and March 31, 2012, and its financial performance and cash flows for the nine months ended December 31, 2012 and the year ended March 31, 2012 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion we draw attention to Note 2 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Nickel North Exploration Corp. to continue as a going concern.

/s/"Manning Elliott LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
April 26, 2013

NICKEL NORTH EXPLORATION CORP.
(formerly Orient Venture Capital Inc.)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012 AND MARCH 31, 2012
(Expressed in Canadian Dollars)

	Note	December 31, 2012	March 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 97,595	$ 249,412
Sales tax recoverable and other receivables		263,633	2,588
Deferred financing cost		-	13,000
Prepaid expenses and deposits		13,448	1,400
Restricted cash	5	28,750	-
		403,426	266,400
Non-current assets			
Equipment	6	2,543	-
Exploration and evaluation assets	7	3,541,221	-
Total assets		$ 3,947,190	$ 266,400
LIABILITIES AND EQUITY			
Current liabilities			
Accounts and other payables	8	$ 132,624	$ 201,027
Loans payable	9	-	23,245
Loans from related parties	10	-	108,239
Flow-through share premium liability	11	50,092	-
Total liabilities		182,716	332,511
Equity (deficiency)			
Share capital	11	5,054,809	385,471
Share subscription proceeds		-	245,500
Contributed surplus		165,298	30,018
Deficit		(1,455,633)	(727,100)
Total equity (deficiency)		3,764,474	(66,111)
Total liabilities and equity		$ 3,947,190	$ 266,400

Going Concern (Note 2)
Commitments (Note 17)
Subsequent Events (Note 18)

The financial statements were authorized for issue by the board of directors on April 26, 2013 and were signed on its behalf by:

"Jingbin Wang" — Director

"Richard Barclay" — Director

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

NICKEL NORTH EXPLORATION CORP.
(formerly Orient Venture Capital Inc.)
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2012 AND THE YEAR ENDED MARCH 31, 2012
(Expressed in Canadian Dollars)

	Note	Nine Months Ended December 31,2012	Year Ended March 31, 2012
EXPENSES			
Accounting and audit		$ 35,900	$ 12,992
Bank charges and interest		7,771	14,534
Consulting fees	12	250,183	-
Depreciation		230	-
Legal		61,217	3,000
Media and conference		1,623	-
Project investigation		-	7,296
Office administration and miscellaneous		65,920	8,041
Share-based payments	11	142,889	-
Transfer agent and filing fees		23,755	17,175
Travel and promotion		131,769	11,254
Wages and benefits		22,792	-
		(744,049)	(74,292)
OTHER ITEMS			
Interest and other income		15,516	40,752
Extinguishment of trade payables	8	-	79,216
		15,516	119,968
Net and comprehensive income (loss) for the period		$ (728,533)	$ 45,676
Basic and diluted earnings (loss) per common share	11	$ (0.04)	$ 0.01
Weighted average number of common shares outstanding		20,588,606	4,260,790

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

NICKEL NORTH EXPLORATION CORP.
(formerly Orient Venture Capital Inc.)
STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscription Proceeds	Contributed Surplus	Deficit	Total Equity /(Deficiency)
Balance, April 1, 2011	4,260,790	$ 385,471	$ -	$ 30,018	$ (772,776)	$ (357,287)
Comprehensive income for the year	-	-	-	-	45,676	45,676
Share subscription proceeds received	-	-	245,500	-	-	245,500
Balance, March 31, 2012	4,260,790	385,471	245,500	30,018	(727,100)	(66,111)
Comprehensive loss for the period	-	-	-	-	(728,533)	(728,533)
Non-flow-through private placements	19,860,000	3,177,000	(245,500)	-	-	2,931,500
Flow-through private placements	2,504,600	500,920	-	-	-	500,920
Shares-for-debt settlement	1,072,983	214,597	-	-	-	214,597
Shares issued - Acquisition of exploration and evaluation assets	4,902,032	917,906	-	-	-	917,906
Exercise of stock options	320,000	54,871	-	(22,871)	-	32,000
Share issuance costs	-	(180,694)	-	-	-	(180,694)
Agent’s warrants issued	-	(15,262)	-	15,262	-	-
Share-based payments	-	-	-	142,889	-	142,889
Balance, December 31, 2012	32,920,405	$ 5,054,809	$ -	$ 165,298	$(1,455,633)	$ 3,764,474

The accompanying notes are an integral part of these financial statements

NICKEL NORTH EXPLORATION CORP.
(formerly Orient Venture Capital Inc.)
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2012 AND THE TWELVE MONTHS ENDED MARCH 31, 2012
(Expressed in Canadian Dollars)

	Nine Months Ended December 31,2012	Year Ended March 31,2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	$ (728,533)	$ 45,676
Items not affecting cash:		
Extinguishment of trade payables	-	(79,216)
Depreciation	230	-
Accrued interest on loans	-	8,922
Share-based payments	142,889	-
Changes in non-cash working capital items:		
Sales tax and other receivables	(261,045)	(2,588)
Prepaid expenses and deposits	(12,048)	-
Account and other payables	20,520	1,587
Net cash used in operating activities	(837,987)	(25,619)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(2,623,315)	-
Purchase of equipment	(2,773)	-
Net cash used in investing activities	(2,626,088)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan received from a related party	320,000	-
Repayment of the related party loan	(320,000)	-
Deferred financing costs	-	(13,000)
Restricted cash	(28,750)	-
Share subscription proceeds	-	245,500
Repayment of loans payable	(5,811)	-
Proceeds from shares issued for cash	3,482,512	-
Exercise of stock options	32,000	-
Share issuance costs	(167,693)	-
Net cash provided by financing activities	3,312,258	232,500
Change in cash and cash equivalents during the period	(151,817)	206,881
Cash and cash equivalents, beginning of the period	249,412	42,531
Cash and cash equivalents, end of the period	$ 97,595	$ 249,412

Supplemental cash flow information (Note 13)

The accompanying notes are an integral part of these financial statements

1. NATURE OF BUSINESS

Nickel North Exploration Corp. (formerly Orient Venture Capital Inc.) (the "Company") was incorporated under the laws of British Columbia, Canada on February 27, 2007 as Orient Ventures Capital Inc. and changed its name to Nickel North Exploration Corp. on July 30, 2012. The Company maintains its registered and head office at Suite 300, 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. On December 10, 2012, the Company changed its fiscal year-end from March 31 to December 31.

The Company was classified as a Capital Pool Company ("CPC") as defined under TSX Venture Exchange (TSX-V) Policy 2.4 *Capital Pool Companies* ("Policy 2.4"). On August 2, 2012, the Company completed its Qualifying Transaction ("QT") as defined under TSX-V Policy 2.4 and as such, the Company graduated from being a CPC to a Tier 2 mining issuer on the TSX-V. The Company is currently engaged in the acquisition, exploration, and development of mineral property interests in Canada. The Company's common shares are listed on the TSX-V under the symbol "NNX".

2. BACKGROUND AND BASIS OF PREPARATION

Qualifying transaction

On August 2, 2012, the Company completed its QT by entering into an option agreement dated March 29, 2012 and amended on May 15, 2012 with Anthem Resources Incorporated ("Anthem") and 662707 Alberta Ltd., a wholly-owned subsidiary of Anthem (together the "Optionors"), whereby the Optionors granted the Company the sole and exclusive right and option (the "Option") to earn an undivided 100% interest, right and title in and to certain mining claims located 135 km northwest of Kuujjuak, Ungava Bay region, Quebec. The claims comprise 429 mineral claims covering a total area of 18,700.4 hectares and are held 100% by the Optionors.

The property is subject to a 3% net smelter returns royalty ("NSR") and the Company has the option to purchase one-third of the NSR (1%) for $1,000,000.

In order to exercise the Option, the Company agreed to make staged payments totaling $2,000,000 in cash and issuing $1,000,000 in common shares by December 31, 2013.

The Company issued 100,000 common shares for finder's fees related to the project.

Concurrent financing

In connection with the closing of the QT, on August 2, 2012, the Company completed a private placement financing for total gross proceeds of $3,463,012 whereby the Company issued 14,560,000 non-flow-through units on a non-brokered basis (Note 11 iii) and 2,504,600 flow-through units on a brokered basis (Note 11 ii) with PI Financial Corp.(the "Agent") acting as the agent.

Each above mentioned non-flow-through unit was issued at a price of $0.20 per unit and consisted of one share and one half of one share purchase warrant. Each above mentioned flow-through unit was issued at a price of $0.22 per unit and consisted of one common share of the Company, issued on a flow-through basis, and one half of one share purchase warrant.

In connection with the 2,504,600 flow-through units financing, the Company paid the Agent a cash commission of $33,398 and issued 151,810 share purchase warrants ("Agent's Warrants"). Each Agent's Warrant entitled the holder to purchase an additional common share of the Company for a period of two years at an exercise price of $0.22 per share.

2. BACKGROUND AND BASIS OF PREPARATION (continued)

Debt settlement

In connection with the closing of the QT, on August 2, 2012, the Company issued 1,072,983 common shares to settle $214,597 in accounts payable.

Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. IFRS includes International Accounting Standards and interpretations of the International Financial Reporting Interpretation Committee.

Basis of measurement

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

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Going concern

The Company is an exploration stage company. At present, the Company's operations do not generate cash flow. For the nine months ended December 31, 2012, the Company had incurred a net loss of $728,533 and at December 31, 2012, an accumulated deficit of $1,455,633. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to obtain adequate financing in the near future, which raise significant doubts about the Company's ability to continue as a going concern. The directors, after reviewing the current cash position and having considered the Company's ability to raise funds in the short term, believe that the going concern basis is appropriate in preparing its financial statements.

These financial statements do not include adjustments that would be required if going concern was not deemed an appropriate basis for preparation of the financial statements. These adjustments could be material.

Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

Actual results could differ from these estimates. Significant areas requiring the use of management estimates and judgments include:

(i) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these assets. The assessment of indications of impairment and the measuring of the recoverable amount when impairment tests have been prepared involve judgment. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

2. BACKGROUND AND BASIS OF PREPARATION (continued)

Use of estimates and judgements (continued)

(ii) The determination of the fair value of stock options or warrants using stock option pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.
(iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
(iv) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.
(v) The recognition of provisions for restoration, rehabilitation and environmental obligation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash held at banks, in the Company's legal trust account, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset into operation and an initial estimate of any rehabilitation obligation. Depreciation of the equipment is calculated using the straight line basis, net of any estimated residual value, over their estimated useful lives. Office equipment is depreciated over three years.

An item of equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income. The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

Exploration and evaluation assets

Once a license to explore an area has been secured, all direct costs related to the acquisition, exploration and evaluation of mineral property interests are capitalized into intangible exploration and evaluation assets on a property by property basis until such time that technical feasibility and commercial viability of extracting a mineral resource has been determined for a property, in which case the capitalized exploration and evaluation costs are transferred and capitalized into property, plant and equipment. The Company records expenditures on exploration and evaluation activities at cost. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Proceeds received from a partial sale or option of any interest in a property is credited against the carrying value of the property. When the proceeds exceed the carrying costs, the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated exploration and evaluation costs are written-off, with any gain or loss included in profit or loss in the period the transfer takes place. No initial value is assigned to any retained royalty interest. A royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Impairment of non-financial assets

Management assesses the exploration and evaluation assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. For exploration and evaluation assets, the assessment is based on the development program, the nature of the mineral deposit, commodity prices and the Company's intentions and ability for development of the undeveloped property. Management assesses equipment for impairment at each statement of financial position date. If, after management review, it is determined that the carrying amount of an asset is impaired, that asset is written down to its estimated recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use. 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 assets. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for decommissioning and restoration

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected future cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. Such costs arise from the decommissioning of site preparation work, discounted to their net present value which are capitalized to the carrying amount of the asset. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at December 31, 2012 and March 31, 2012, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

Government assistance

Quebec mining exploration tax credits for certain exploration expenditures incurred in Quebec are treated as a reduction of the exploration and development costs of the respective mineral property.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

i) Financial assets

All financial assets are initially recorded at fair value and designated into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured as fair value with unrealized gains and losses recognized through earnings. The Company's cash and cash equivalents and restricted cash are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measure at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. As December 31, 2012 and March 31, 2012, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

ii) Financial Liabilities

All financial liabilities are initially recorded as fair value and classified as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts and other payables, loans payable and loans from related parties are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held of trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

iii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments;
- the borrower entering bankruptcy or financial re-organization;
- the disappearance of an active market for that financial asset because of lack of liquidity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

iii) Impairment of financial assets (continued)

The amount of the impairment loss recognized is the difference between the instrument's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effectiveinterest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

iv) Derecognition of financial assets and financial liabilities

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset as well as any associated obligations. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset as well as any collateralized borrowing for the proceeds received.

Upon derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognized in accumulated other comprehensive income, is recognized in profit or loss. Upon derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer continues to recognize on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that has been recorded in accumulated other comprehensive income, is recognized in profit or loss. A cumulative gain or loss that has been recognized in accumulated other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Share capital

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (loss) per share

Basic earnings/loss per share is calculated by dividing the earnings/loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the earnings/loss attributable to common shareholders equals the reported earnings/loss attributable to owners of the Company. The diluted earnings/loss per share reflects all dilutive potential common shares equivalents, which comprise outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and the share purchase warrants were anti-dilutive for the period ended December 31, 2012 and for the year ended March 31, 2012.

Share-based payments

Share-based payments to employees and others providing similar services are measured at the grant date fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of options expected to vest. The offset to the recorded cost is to contributed surplus. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized as an expense is based on the number of options that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

The fair value of the stock options is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, and the risk-free interest rate (based on government bonds).

Income taxes

Current income taxes receivable or payable are estimated on taxable income or loss for the current year at the statutory tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets also result from unused loss carry forwards and other deductions. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. On issue, share capital is recorded at the trading value of an ordinary common share. The difference between the proceeds and the ordinary common share value is recorded as a flow-through share premium liability. The flow-through share premium liability is reduced upon incurring qualifying expenditures and renouncement by the Company of the tax benefits associated with the related expenditures. To the extent that suitable deferred income tax assets are available, the Company will reduce any deferred income tax liability and record a deferred income tax recovery.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards issued but not yet effective - Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2013, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective January 1, 2013

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, is effective for the Company beginning on January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards effective January 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2015 with early adoption permitted by amendments to IAS 32, January 1, 2014. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The Company has not early adopted these revised standards and is currently assessing the impact of these standards on the Company's financial statements.

4. CASH AND CASH EQUIVALENTS

	December 31, 2012	March 31, 2012
Cash (cheques issued in excess of deposits on hand)	$ (55,405)	$ 249,412
Guaranteed investment certificates	153,000	-
	$ 97,595	$ 249,412

Guaranteed investment certificate of $153,000 bears interest rate at the prime rate minus 2.05% per annum and matures on August 13, 2013.

5. RESTRICTED CASH

The Company has provided corporate credit cards to its directors with a credit limit totalling $25,000 to pay the Company's expenses. As collateral for the credit cards, the Company has a one-year term deposit of $28,750 earning annual interest at the prime rate minus 2.05% per annum. As at December 31, 2012, the credit cards had an outstanding balance of $4,636 (March 31, 2012 - $nil) in total.

(Expressed in Canadian Dollars)

6. EQUIPMENT

	Office Equipment
Cost	
Balance as at March 31, 2011 and 2012	$ -
Addition	2,773
Balance as at December 31, 2012	2,773
Accumulated depreciation	
Balance as at March 31, 2011 and 2012	-
Depreciation for the period	230
Balance as at December 31, 2012	230
Net book value as at March 31, 2011 and 2012	-
Net book value as at December 31, 2012	$ 2,543

7. EXPLORATION AND EVALUATION ASSETS

	March 31, 2012	Additions	December 31, 2012
Hawk Ridge Property			
Acquisition costs			
Option payments	$ -	$ 1,897,906	$ 1,897,906
Other property costs	-	30,050	30,050
	-	1,927,956	1,927,956
Exploration costs			
Accommodation/camp	-	93,439	93,439
Assays	-	84,076	84,076
Drilling	-	302,585	302,585
Field supplies	-	121,147	121,147
Geological consulting	-	349,497	349,497
Miscellaneous	-	40,224	40,224
Transportation	-	361,524	361,524
Travel	-	56,464	56,464
	-	1,408,956	1,408,956
Exploration prepayment	-	204,309	204,309
	$ -	$ 3,541,221	$ 3,541,221

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

On March 29, 2012, the Company entered into an option agreement with Anthem Resources Inc. ("Anthem") and its wholly-owned subsidiary (together the "Optionors") whereby the Optionors granted the Company an option to acquire a 100% interest in the Hawk Ridge property by making staged payments totaling $2,000,000 in cash and $1,000,000 equivalent in common shares of the Company to Anthem by December 31, 2013 as follows:

- Pay $500,000 in cash (paid) and $250,000 in shares (issued) within five business day of TSX-V final approval of the transaction;
- Pay $500,000 in cash (paid) and $250,000 in shares (issued) by December 31, 2012; and
- Pay $1,000,000 in cash (to be reduced by $92,081 for 20% of geophysical survey costs paid) and issue $500,000 in shares ($500,000 divided by the greater of (A) the price per consideration share ("Share"), equal to 10% discount to the Share's moving average trading price for the 20 day period immediately preceding the date of issuance, and (B) $0.20) on or before December 31, 2013. (Note 17 and Note 18, b))

In addition, the Company is required to issue common share units equal to the expenses of a geophysical survey up to $600,000 at a deemed price of $0.20 per unit. During the period ended December 31, 2012, the Company issued 2,302,032 units with a fair value of $460,406 as geophysical survey expense. Each unit comprised one common share and one-half of a share purchase warrant; each whole warrant entitles the holder to acquire one common share for a period of two years following the closing date at a price of $0.35 in the first year and at a price of $0.60 in the second year.

The property is subject to a 3% net smelter returns royalty ("NSR") and the Company has the option to purchase one-third of the NSR (1%) for $1,000,000.

8. ACCOUNTS AND OTHER PAYABLES

The Company's accounts and other payables are as follows:

	December 31, 2012	March 31, 2012
Accounts payable	$ 13,606	$ 161,519
Amounts due to related parties (Note 12)	93,310	11,508
Accrued expenses to related parties (Note 12)	25,708	26,000
Other payable	-	2,000
	$ 132,624	$ 201,027

Accounts payable of the Company principally comprises amounts outstanding for trade purchases relating to exploration activities and accrued expenses for operating activities. The usual credit period taken for trade purchases is between 30 to 90 days. During year ended March 31, 2012, the Company entered into settlement agreements with various creditors to reduce part of the overdue accounts payable by $79,216.

9. LOANS PAYABLE

During the year ended March 31, 2010, the Company received loans totalling $20,000 from three non-related individuals. These loans were unsecured, accrued interest at 8% per annum and was due on or before the earlier of (1) March 12, 2012 or (2) when the Company completes an equity financing. During the nine months ended December 31, 2012, the Company paid $5,975 and issued 87,167 common shares with a fair value of $17,434 as full repayment of the $20,000 principal and $3,409 interest on the loans.

(Expressed in Canadian Dollars)

10. LOANS FROM RELATED PARTIES

During the year ended March 31, 2010, the Company received loans of $77,000 and $13,000 from a company controlled by the former Chief Financial Officer ("CFO") of the Company and from the former President of the Company, respectively. The loans were unsecured, accrued interest at 8% per annum and were due on or before the earlier of (1) October 1, 2012 or (2) when the Company completes an equity financing. During the nine months ended December 31, 2012, the Company issued 541,200 common shares with a fair value of $108,239 as full repayment of the $90,000 principal and $18,239 interest on the loans.

11. SHARE CAPITAL

Authorized

The Company has authorized an unlimited number of common shares with no par value and an unlimited number of non-voting, non-participating, non-cumulative preferred shares without par value issuable in series.

Shares issued and outstanding

	Note	Number of Common Shares	$
Balance, March 31, 2011 and March 31, 2012		4,260,790	385,471
Share issued pursuant to private placement	i)	5,300,000	265,000
Shares issued to Anthem pursuant to the option agreement	iv)	4,802,032	897,906
Shares issued pursuant to concurrent financing upon QT	ii)&iii)	17,064,600	3,412,920
Shares issued as finder fee for QT	v)	100,000	20,000
Share issuance costs paid in cash	i)& ii)	-	(122,296)
Agents warrants issued in connection with private placement	ii)	-	(15,262)
Finder's fees paid in cash pursuant to private placement	ii)	-	(58,398)
Shares issued for the debt settlement	vi)	1,072,983	214,597
Shares issued pursuant to exercise of options	vii)	320,000	54,871
Balance, December 31, 2012		32,920,405	5,054,809

During the nine months ended December 31, 2012, the Company:

i) Completed a non-brokered private placement of 5,300,000 common shares at a price of $0.05 per share for gross proceeds of $265,000. The Company incurred share issuance costs of $27,079 in connection with the private placement.

ii) Completed a brokered financing of 2,504,600 flow-through units at a price of $0.22 per flow-through unit for gross proceeds of $551,012. Each flow-through unit is comprised of one flow-through common share and one-half of a share purchase warrant; each whole warrant entitles the holder to acquire one additional non-flow-through common share at a price of $0.35 in the first year and at a price of $0.60 in the second year. The Company paid a cash commission of $33,398 and a corporate finance fee of $25,000, incurred share issuance costs of $32,965 and issued 151,810 agent's warrants in connection with the brokered financing. Each agent's warrant is exercisable until August 2, 2014 to acquire one common share at a price of $0.22. The agent's warrants were valued at $15,262. Pursuant to the terms of the flow-through agreements, the Company is required to comply with the contractual obligations and the renouncement requirements of the Canadian Income Tax Act. As of December 31, 2012 all of the exploration expenditures related to the flow through shares had been incurred and the Company renounced the expenditures on February 12, 2013.

11. SHARE CAPITAL (continued)

For the purposes of calculating the tax effect of any premium related to the issuance of flow-through shares, management reviewed the price per share in a recent non flow-through financing and compared it to the price used in this issuance and determined that there was a premium of $0.02 per flow-through unit.

iii) Completed a non-brokered financing of 14,560,000 units at a price of $0.20 per unit for gross proceeds of $2,912,000. Each unit is comprised of one common share and one-half of a share purchase warrant; each whole warrant entitles the holder to acquire one additional common share at a price of $0.35 until August 2, 2013 and at a price of $0.60 until August 2, 2014. The Company incurred share issuance costs of $62,252 in connection with the private placement.

iv) Issued 4,802,032 common shares pursuant to the option agreement to acquire the Hawk Ridge property with a fair value of $897,906.

v) Issued 100,000 common shares at $0.20 per share with a fair value of $20,000 as a finder's fee in connection with the QT.

vi) Issued 1,072,983 common shares at $0.20 per share to settle $88,924 of accounts payable, $17,434 of loans payable and $108,239 of loans from related parties.

vii) Issued 320,000 common shares at a price of $0.10 per share from the exercise of 320,000 stock options for gross proceeds of $32,000.

Share subscription proceeds

During the year ended March 31, 2012, the Company was in the process of completing a non-brokered private placement of 5,300,000 common shares at a price of $0.05 per share for gross proceeds of $265,000. As of March 31, 2012, the Company had received share subscription proceeds of $245,500 in connection with the non-brokered private placement.

Escrow shares

21,536,726 common shares issued prior to the completion of the Qualifying Transaction are subject to escrow. Pursuant to TSX-V Policy 2.4, 10% of the escrowed common shares will be released from escrow on the listing date and 15% will be released every six months thereafter over a period of thirty six months. As at December 31, 2012, 19,363,053 (March 31, 2012 – 1,040,000) common shares remained in escrow.

Basic and diluted earnings/loss per share

The calculation of basic and diluted loss per share for the period ended December 31, 2012 was based on net loss of $728,533 (March 31, 2012 – net income of $45,676), attributable to common shareholders and a weighted average number of common shares outstanding of 20,588,606 (March 31, 2012 – 4,260,790).

At December 31, 2012, 2,233,250 stock options (March 31, 2012 - 420,000), 9,683,316 warrants (March 31, 2012 - nil), and 151,810 agent's warrants (March 31, 2012 - nil) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

Stock options

The Company has a stock option plan 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 shares of the Company. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

Stock options (continued)

On August 27, 2012, the Company granted an aggregate of 2,700,000 stock options to its directors, officers, and consultants pursuant to its stock option plan. Each stock option is exercisable for a period of 5 years at a price of $0.20 per common share. According to the options agreements, 155,000 of the options granted to the CEO require one year of service before vesting. 2,163,250 of the options vested immediately on the date of grant, and the remaining 381,750 options shall vest only if the optionee exercises all of his or her vested options on or before December 31, 2012. On January 1, 2013, the remaining options were not vested and immediately expired and were cancelled. As a result, 100,000 stock options were cancelled by the Company during the nine months ended December 31, 2012, and 366,750 stock options were not vested and expired on December 31, 2012.

On August 31, 2012, 320,000 options granted in September 5, 2007 were exercised at $0.10 per share. The remaining 100,000 options which were granted on September 5, 2007 expired on September 4, 2012.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, outstanding and exercisable at March 31, 2011 and 2012	420,000	$ 0.10
Options granted	2,700,000	0.20
Exercised	(320,000)	0.10
Cancelled	(100,000)	0.20
Expired	(466,750)	0.18
Balance, December 31, 2012	2,233,250	$ 0.20
Balance, Outstanding and Exercisable at December 31, 2012	2,078,250	$ 0.20
Weighted average fair value of options granted during the period	$ 0.06	

The following options to acquire common shares were outstanding at December 31, 2012.

Number of Shares	Exercise Price	Expiry Date
2,233,250	$ 0.20	August 28, 2017

For the nine months ended December 31, 2012, the Company expensed $142,889 (March 31, 2012 - $nil) for the stock options granted during the period as share-based payments. The stock option were valued using the Black-Scholes option pricing model based on the following assumptions: a risk-free interest rate of 1.23%, an expected life of 3 years, annualized volatility of 100%, a dividend rate of 0% and a market price of the shares at grant date of $0.12.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

Warrants

Warrants are issued as private placement incentives. No value was allocated to the warrants issued with private placement units. Agents' warrants are measured at fair value on the date of the grant as determined using a Black-Scholes option pricing model.

The fair value of 151,810 agent warrants issued in connection with the private placement was $15,262 using the Black-Scholes option pricing model based on the following assumptions: a risk-free interest rate of 1.08%, an expected life of 2 years, annualized volatility of 100%, a dividend rate of 0%, and a market price of the shares at grant date of $0.20. The fair value of the agent warrants issued was $0.10.

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, March 31, 2011 and 2012	-	$	-
Warrants issued	9,683,316		0.48
Agent's warrants issued	151,810		0.22
Balance, December 31, 2012	9,835,126	$	0.47
Exercisable at December 31, 2012	9,835,126	$	0.47

As at December 31, 2012 the following warrants were outstanding:

	Number of Warrants		Exercise Price		Expiry Date
Warrants	9,683,316	$	0.35	for 1st year	August 2, 2014
			0.60	for 2nd year	
Agent's warrants	151,810	$	0.22		August 2, 2014
	9,835,126				

12. RELATED PARTY TRANSACTIONS

The Company entered into the following related party transactions for the nine months ended December 31, 2012:

a) Incurred geological consulting fees of $50,000 (March 31, 2012 - $nil) and corporate consulting fees of $45,000 (March 31, 2012 - $nil) from a company owned by the CEO of the Company.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (continued)

b) Incurred consulting fees of $27,550 (March 31, 2012 - $nil) from a company controlled by the former CEO of the Company for corporate consulting services provided.

c) Incurred consulting fees of $12,500 (March 31, 2012 - $nil) from a company controlled by a director of the Company for corporate consulting services provided.

d) Incurred consulting fees of $20,000 (March 31, 2012 - $nil) from an officer of the Company for corporate finance services provided.

e) Incurred consulting fees of $100,813 and administration fees of $22,500 (March 31, 2012 - $4,800) from a company with an executive officer in common with the Company for services provided in connection with the QT.

f) Incurred geological and corporate consulting fees of $7,800 (March 31, 2012 - $nil) from a company owned by an officer of the Company.

g) Incurred geological and corporate consulting fees of $39,000 and administration fees of $3,000 (March 31, 2012 - $nil) from a company with two directors in common.

h) Incurred interest expense of $5,541 (March 31, 2012 - $nil) on a loan from a company controlled by directors of the Company. The principal of the loan was $320,000 pursuant to a loan agreement entered on May 8, 2012. The loan was unsecured, accrued interest at 8% per annum and was fully repaid in August 2012.

i) During the nine months ended December 31, 2012, the Company issued 541,200 common shares to settle $108,239 of loans and accrued interest due from a former director of the Company and a company controlled by the former CEO of the Company.

j) Incurred director fees of $16,458 (March 31, 2012-$ nil) from the directors of the Company.

k) Included in account and other payables is $102,560 (March 31, 2012 - $11,508) owing to companies controlled by related parties for services rendered. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

l) Included in accounts and other payables is $16,458 (March 31, 2012 - $nil) due to directors for unpaid directors fees. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management personnel during the nine month periods ended December 31, 2012 is as follows:

	Nine Months Ended December 31, 2012	Year Ended March 31,2012
Consulting fees	$ 319,121	$ 2,400
Share-based payments	101,081	-
Total	$ 420,202	$ 2,400

(Expressed in Canadian Dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

	For the Nine Months Ended December 31, 2012	For the Year Ended March 31,2012
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ 5,541	$ -

Significant non-cash investing and financing transactions during the nine month period ended December 31, 2012 included:

(a) The Company issued 4,802,032 common shares with a total value of $897,906 pursuant to the option agreement to acquire the Hawk Ridge property.

(b) The Company issued 100,000 common shares with a fair value of $20,000 as a finder's fee in connection with the Qualifying Transaction.

(c) The Company issued 1,072,983 common shares at $0.20 per share to settle $88,924 of accounts payable, $17,434 of loans payable and $108,239 of loans from related parties.

(d) The Company issued 151,810 agent's warrants with a fair value of $15,262 as financing fees for a brokered private placement.

There were no significant non-cash investing or financing transactions for the year ended March 31, 2012.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, and acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management.

There were no changes in the Company's approach to capital management from the prior year. The Company is not subject to externally imposed capital requirements.

15. INCOME TAXES

In assessing the realizability of deferred tax assets, management considers whether it is more probable than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of deferred taxable income during the periods in which those temporary differences are expected to reverse. Management considers the scheduled reversal of deferred tax liabilities, projected taxable income, and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable could change materially in the near term based on deferred taxable income during the carry forward period.

(Expressed in Canadian Dollars)

15. INCOME TAXES (continued)

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

	December 31, 2012	March 31, 2012
Deferred income tax assets		
Non-capital losses carried forward	$ 358,786	$ 190,089
Share issuance costs	37,584	-
Unrecognized deferred tax assets	(396,370)	(190,089)
Net deferred income tax assets	$ -	$ -

As at December 31, 2012, the Company has non-capital losses carried forward of $1,379,945 which available to offset future years taxable income earned in Canada. These losses expired as follows:

	$
2028	58,482
2029	315,882
2030	263,119
2031	79,657
2032	662,805
	1,379,945

The following table reconciles the amount of income tax recoverable on application of statutory Canadian federal and provincial income tax rates to the amount reported in these financial statements:

	Nine Months Ended December 31, 2012	Year Ended March 31, 2012
Net income (loss) before income taxes	$ (728,533)	$ 45,676
Statutory rate	25%	26%
Expected income tax expense (recovery)	(182,133)	11,933
Permanent differences and other	(8,903)	891
Change in enacted tax rates	(15,245)	(495)
Change in unrecognized (recognized) deferred income tax assets	206,281	(12,329)
Deferred income tax recovery	$ -	$ -

16. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash and cash equivalents, account and other receivables, account and other payables, loans payable and loan from related parties. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The fair value of these financial instruments approximates their carrying value due to their short terms of maturity.

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

The following table summarizes the carrying values of the Company's financial instruments:

		December 31, 2012	March 31, 2012
FVTPL	(i)	$ 126,345	$ 249,412
Loans and receivables	(ii)	519	-
Other financial liabilities	(iii)	$ 132,624	$ 332,511

(i) Cash and cash equivalents, restricted cash
(ii) Other receivables
(iii) Accounts and other payables, loans payable, loans from related parties.

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market data

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total December 31, 2012
Cash and cash equivalents	$ 97,595	$ -	$ -	$ 97,595
Restricted cash	$ 28,750	$ -	$ -	$ 28,750

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash and cash equivalents. The credit risk with respect to its cash and cash equivalents is minimal as they are held with high-credit quality financial institutions. Management does not expect these counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. As at December 31, 2012, the Company had a working capital of $220,710. All of the Company's financial liabilities are classified as current.

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

Liquidity risk (continued)

At present, the Company's operations do not generate cash flow. The Company's primary source of funding has been the issuance of equity securities through private placements and the exercise of stock options and warrants. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Significant commitments in years subsequent to December 31, 2012 are as follows:

	< 1 year	1 – 3 years	Total
Accounts and other payables	$ 132,624	$ -	$ 132,624

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions. The interest rate risks on cash and cash equivalents are not considered significant due to their short-term nature.

17. COMMITMENTS

The Company committed to pay Anthem $1,000,000 in cash and the number of common shares equal to $500,000 by December 31, 2013 pursuant to the option agreement dated March 29, 2012, as amended May 15, 2012. In April 2013, the parties of the option agreement amended the original option agreement and the Company committed to issue common shares to Anthem equal to $907,919, which is determined by $1,000,000 less 20% of the geophysical survey costs incurred by Anthem subsequent to year end, in lieu of paying $1,000,000 in cash on or before December 31, 2013 (See Note 18 (b)).

18. SUBSEQUENT EVENTS

a) On February 15, 2013, the Company entered into an interim bridge loan agreement with Sino Minerals Corp., a subsidiary of Goldrock Resources Co. Ltd. for the amount of $300,000. Goldrock Resources Co. Ltd. is a related party of the Company with two directors in common. The loan is unsecured, bears interest at 8% per annum, matures on June 30, 2013 and is payable on or before maturity without penalty.

b) Subsequent to the year ended December 31, 2012, the option agreement which was signed on March 29, 2012 and amended on May 15, 2012 was subsequently amended with the optionors on February 15, 2013 and later amended again on April 17, 2013 (the "Third Amendment"). Under the Third Amendment, in lieu of paying $1,000,000 in cash on or before December 31, 2013, the Company agreed to issue to the optionors the number of units (the "Conversion Units") equal to $1,000,000 less such amount equal to 20% of the cost incurred by the optionors for the geophysical survey, which is estimated to be $907,919, divided by $0.25 per Conversion Unit. Each Conversion Unit will consist of one common share and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one additional common share for a period of two years, at an exercise price of $0.35 per share in the first year and $0.60 per share in the second year. In addition, the Company agreed to issue the remaining common shares equal to $500,000 divided by the greater of $0.20 or a 10% discount to the 20 day moving average trading price of the Company for the 20 day period immediately preceding the date of issuance. The Company agreed to change the timing of the issuance of the Conversion Units and the remaining common shares from December 31, 2013 to within 10 business days of the receipt of approval from the TSX Venture Exchange for the Third Amendment.

18. SUBSEQUENT EVENTS (continued)

c) On March 28, 2013, the Company closed a $2,000,000 private placement subscription agreement with Sinotech (Hong Kong) Corporation Limited, an affiliate company of Goldrock Resources Co. Ltd.. The placement is for 8,000,000 units at $0.25 per unit. Each unit consists of one common share and one half warrant. Each whole warrant is exercisable for a period of 2 years and entitles the holder to purchase one common share at $0.35 in the first year and $0.60 in the second year.

d) On April 16, 2013, the Company granted 200,000 stock options to Axon Communication, a former consultant of the Company, with an exercise price of $0.20 per share and an expiry date of 90 days after the date of grant. The 200,000 options vested immediately on the date of grant.

e) On March 7, 2013, the Company entered into an agreement to arrange a non-brokered private placement of up to $4,000,000. The offering will consist of up to 13,333,333 flow-through shares at a price of $0.30 per share. The offering is subject to regulatory approval.