MEDALLION RESOURCES LTD.

(An Exploration-Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Medallion Resources Ltd.:

We have audited the accompanying consolidated financial statements of Medallion Resources Ltd., which comprise the consolidated balance sheets as at March 31, 2011 and 2010, and the consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity (deficit) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company is currently operating at a loss and has an accumulated deficit of $13,141,909. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

/s/ Lancaster & David

CHARTERED ACCOUNTANTS

Vancouver, BC
June 14, 2011

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MEDALLION RESOURCES LTD.
(An Exploration-Stage Company)
CONSOLIDATED BALANCE SHEETS
As of March 31

	2011	2010
ASSETS		
Current		
Cash	$ 326,532	$ 230,669
Short-term Investments (Note 3)	3,250,000	-
Other Receivables	36,651	22,954
Prepaid Expenses	73,365	30,791
	3,686,548	284,414
Mineral Properties (Note 4)	745,160	192,689
Reclamation Bond (Note 5)	11,951	11,951
Equipment (Note 6)	2,275	2,363
	$ 4,445,934	$ 491,417
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities	$ 37,576	$ 58,057
Due to Related Parties (Note 8)	40,376	43,850
Promissory Notes (Note 8)	-	51,290
	77,952	153,197
SHAREHOLDERS' EQUITY (DEFICIT)		
Share Capital (Note 7)	$ 15,083,614	$ 11,372,638
Warrants (Note 7)	1,292,736	362,979
Contributed Surplus (Note 7)	1,133,541	544,581
Deficit	(13,141,909)	(11,941,978)
	4,367,982	338,220
	$ 4,445,934	$ 491,417

Continuance of Operations (Note 1)
Subsequent Events (Note 13)

Approved on behalf of the Board:

/s/ Donald M. Lay
Donald M. Lay – Director

/s/ William H. Bird
William H. Bird – Director

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

MEDALLION RESOURCES LTD.
(An Exploration-Stage Company)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Years Ended March 31

	2011	2010
Expenses		
Amortization	$ 1,346	$ 1,933
Consulting Fees (Note 8)	154,101	67,415
Investor Relations	179,569	33,719
Management Fees (Note 8)	113,750	86,240
Office and General	53,174	54,488
Professional Fees (Note 8)	110,697	103,390
Exploration Expenditures on Written Off Properties and Property Investigations	21,807	212,169
Rent	22,043	19,834
Stock-based Compensation	708,464	115,019
Transfer Agent and Filing Fees	45,856	19,079
	(1,410,807)	(713,286)
Other Items		
Interest Income and Other	14,038	141
Gain on Sale of Marketable Securities	-	4,854
Government Assistance	70,838	147,035
Write Off of Mineral Property (Note 4)	-	(80,173)
Write Off of Financing Costs	-	(43,694)
Loss Before Taxes	(1,325,931)	(685,123)
Income Tax Recovery	126,000	103,063
Net Loss and Comprehensive Loss for the Year	(1,199,931)	(582,060)
Loss per Share		
Basic and Diluted	$ (0.04)	$ (0.03)
Weighted Average Shares Outstanding	34,663,340	17,725,383

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

MEDALLION RESOURCES LTD.
(An Exploration-Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended March 31

	2011	2010
Cash Flow Provided By (Used in)		
Operating Activities		
Net Loss For the Year	$ (1,199,931)	$ (582,060)
Adjusted for items not involving cash:		
Amortization	1,346	1,933
Stock-based Compensation	708,464	115,019
Income Tax Recovery	(126,000)	(103,063)
Gain on Sale of Marketable Securities	-	(4,854)
Unrealized Loss on Foreign Exchange	-	4,268
Write off of Resource Property	-	80,173
Write off of Financing Costs	-	42,694
Net change in non-cash working capital items:		
Other Receivables	(13,697)	(39,594)
Prepaid Expenses	(42,574)	-
Accounts Payable and Accrued Liabilities	(20,481)	(28,915)
Accrued Interest on Promissory Notes	(1,290)	4,813
Due to Related Parties	(3,474)	(85,280)
	(697,637)	(594,866)
Investing Activities		
Short-term Investments (Note 3)	(3,250,000)	-
Mineral Properties	(552,471)	(225,713)
Equipment	(1,258)	-
	(3,803,729)	(225,713)
Financing Activities		
Issuance of Share Capital	4,981,116	1,127,875
Share Issue Costs	(333,887)	(110,203)
Repayment of Promissory Note	(50,000)	(64,398)
Proceeds from Sale of Marketable Securities	-	36,690
	4,597,229	989,964
Increase in Cash	95,863	169,385
Cash, Beginning of Year	230,669	61,284
Cash, End of Year	326,532	230,669
Supplementary Net Cash-flow Information:		
Net Interest Paid	$ 3,116	$ 14,398
Net Income Taxes Paid	$ -	$ -

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

MEDALLION RESOURCES LTD.
(An Exploration-Stage Company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
For the Years Ended March 31, 2011 and 2010

	Number of Common Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, March 31, 2009	15,222,153	$10,799,183	$ 194,972	$ 256,415	$ 5,604	$(11,359,918)	$ (103,744)
Shares Issued For:							
Private placement (Note 7a)	3,900,000	241,755	148,245	-	-	-	390,000
Private placement (Note 7b)	2,066,429	361,625	-	-	-	-	361,625
Private placement (Note 7c)	2,150,000	240,310	135,940	-	-	-	376,250
Share Issuance Costs (Notes 7a, b and c)	-	(167,172)	20,143	36,826	-	-	(110,203)
Stock-based Compensation	-	-	-	115,019	-	-	115,019
Tax Benefit Renounced to Flow-through Shares	-	(103,063)	-	-	-	-	(103,063)
Expiry of Warrants	-	-	(136,321)	136,321	-	-	-
Change in Fair Market Value of Available-for-sale Marketable Securities:							
Increase in fair value during the year	-	-	-	-	(750)	-	(750)
Realized gain on sale of marketable securities	-	-	-	-	(4,854)	-	(4,854)
Net Loss for the Year	-	-	-	-	-	(582,060)	(582,060)
Balance, March 31, 2010	23,338,583	11,372,638	362,979	544,581	-	(11,941,978)	338,220
Shares Issued On:							
Private placement (Note 7d)	2,999,999	450,000	-	-	-	-	450,000
Private placement (Note 7e)	2,120,000	169,394	95,606	-	-	-	265,000
Private placement (Note 7f)	9,000,000	1,946,858	753,142	-	-	-	2,700,000
Stock options exercised (Note 7h)	475,000	164,047	-	(86,147)	-	-	77,900
Warrants exercised (Note 7i)	5,986,226	1,646,132	(289,304)	-	-	-	1,356,828
Finders' options exercised (Note 7j)	292,500	63,446	-	(34,196)	-	-	29,250
Finders' warrants issued (Note 7j)	-	(12,811)	12,811	-	-	-	-
Property acquisition (Note 7k)	200,000	46,000	-	-	-	-	46,000
Finders units exercised (Note 7f)	187,127	40,665	15,473	-	-	-	56,138
Share Issuance Costs (Notes 7d, e and f)	-	(676,755)	342,868	-	-	-	(333,887)
Stock-based Compensation (7g)	-	-	-	708,464	-	-	708,464
Tax Benefit Renounced to Flow-through Shares	-	(126,000)	-	-	-	-	(126,000)
Expiry of Warrants	-	-	(839)	839	-	-	-
Net Loss for the Year	-	-	-	-	-	(1,199,931)	(1,199,931)
Balance, March 31, 2011	44,599,435	$ 5,083,614	$ 1,292,736	$ 1,133,541	$ -	$ (13,141,909)	$ 4,367,982

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

NOTE 1 - NATURE AND CONTINUANCE OF OPERATIONS

The Company is in the business of acquisition and exploration of mineral properties. The Company's operations consist generally of mineral exploration and evaluation of new property acquisitions. This includes acquiring mineral properties, evaluating the merits of these properties using various techniques such as sampling, trenching and geophysical and geochemical methods as well as drilling. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of amounts recorded for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company's interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared on a going-concern basis, which implies the Company will continue to realize the carrying value of assets and discharge its liabilities in the normal course of business. The Company has never generated profitable operations and has accumulated losses of $13,141,909 since inception. As at March 31, 2011, the Company's working capital was $3,608,596 (2010 - $131,217). These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's activities have been funded through equity financings, and the Company expects that it will continue to be able to utilize these sources of financing until it develops cash flow from operations. If such funds are not available or cannot be obtained, the Company will be forced to curtail its activities to a level for which funding is available or can be obtained. The Company has experienced recurring losses since inception and the continuation of the Company as a going concern is dependent upon its ability to obtain financing for the continuing acquisition, exploration and development of mineral properties and to sustain operations. There can be no assurance, however, that the Company will be able to meet the above objectives.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
These financial statements have been prepared on a consolidated basis and include the accounts of the Company and its wholly owned subsidiary Medallion Resources (USA) Inc.

In June 2006, the Company incorporated Medallion Resources (USA) Inc., in the State of Nevada, USA, as a wholly-owned subsidiary. The purpose of the new subsidiary was to hold the Company's USA properties and to carry on such business in the USA as is necessary to maintain, explore and develop the Company's properties. However, the subsidiary currently has no material assets, liabilities or operations.

Estimates, Assumptions and Measurement Uncertainty
The preparation of consolidated financial statements in conformity with Canadian Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions include those related to the recoverability of capitalized mineral property expenditures, assessment of asset retirement obligations, valuation allowance on future income taxes and stock-based compensation valuations. Actual results could differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Foreign Currency Translation
The consolidated financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian-dollar equivalents using foreign exchange rates that prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates, except for items carried at their market value, which are translated at the rate of exchange in effect at the balance-sheet date. Revenue and expense items are translated at average rates of exchange during the period. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the period.

Cash and Cash Equivalents
Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired. As at March 31, 2011, there were no cash equivalents.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Equipment
Equipment is initially recorded at cost. The Company provides for amortization of its equipment on a declining balance with one-half of the rate taken in the year of acquisition and disposition.

Mineral Properties
The Company capitalizes the acquisition costs of mineral properties and related exploration and development costs. The amounts shown for mineral properties represent costs incurred to date, less write-downs, and do not necessarily reflect present or future values. These costs will be amortized over the estimated productive lives of the properties upon commencement of commercial production using the unit-of-production method. Costs relating to mineral properties that are sold or abandoned are written off when such events occur or are written down to a nominal amount when management decides not to commit to any further exploration or development of the property. Interests acquired under option agreements, whereby option payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in earnings for the period. Although the Company has taken steps to verify title to mineral properties in which it has or is acquiring an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected title defects.

Government Assistance
Government assistance relates to the recovery of a portion of eligible expenditures on mineral properties from various government authorities and are recorded in the period in which they are received. Amounts received that relate to mineral properties that have previously been written off are recorded as Other Income. Amounts received that relate to existing mineral properties are used to reduce the carrying amount of the related mineral property. During the year ended March 31, 2011, the Company received government grants of $70,838 on mineral properties that have been previously written off (2010 - $147, 035).

Impairment of Long-lived Assets
The Company follows the recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Asset Retirement Obligation
The Company follows the recommendations of the CICA Handbook Section 3110, "Asset Retirement Obligations". This section requires the recognition of the fair value of the obligation associated with the retirement of tangible long-lived assets be recorded in the period in which the liability is incurred, with a corresponding increase in the carrying value of the related asset. The liability is accreted over time for changes in the fair value of the liability through changes to accretion expenses. The costs capitalized to the related assets are depleted to earnings in a manner consistent with the underlying asset. As at March 31, 2011 and 2010, no asset retirement obligation has been recognized.

Comparative Figures
Comparative figures have been reclassified, where applicable, to conform to the current year's presentation.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share Capital

The Company records proceeds from share issuances net of commissions and issue costs. Proceeds from unit private placements are allocated between shares and warrants issued according to their relative fair value. The value of the share component is credited to share capital and the value of the warrant component is credited to warrants, a separate component of shareholders' equity (deficit). Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in warrants is recorded as an increase to share capital. Upon expiration of the warrants, the amount previously recognized in warrants is removed and recorded as an increase to contributed surplus.

The Company recognizes all transactions in which goods or services are the consideration received for the issuance of equity instruments based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

Loss per Share

The loss-per-share figure is calculated by dividing the net loss by the weighted-average number of shares outstanding during the respective fiscal periods. Diluted loss per share is calculated using the Treasury-Stock method which, for outstanding stock options and warrants, assumes that the proceeds to be received on the exercise of the stock options and warrants are applied to repurchase common shares at the average market price for the period, for purposes of determining the weighted average number of shares outstanding. Basic and diluted loss per share are the same in these financial statements as the inclusion of common share equivalents would be anti-dilutive.

Flow-through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for income tax purposes for qualified resource expenditures can be renounced and claimed by the flow-through share subscribers. The Company records issuances of flow-through shares by crediting share capital for the full value of cash consideration received. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized with a corresponding reduction to share capital for the cost of the future tax benefits foregone.

If the Company has sufficient unused tax losses and deductions to offset all or part of the future income tax liability and no future income tax assets have been previously recognized on such losses, the Company may reverse a portion of the valuation allowance on future income tax assets and recognize a recovery of future income taxes.

Stock-based Compensation

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, the fair value of each option grant is estimated on the date of grant and amortized over the vesting period, with a corresponding increase to contributed surplus under shareholders' equity. The Company estimates the fair value of each option grant using the Black-Scholes option pricing model. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to share capital.

Income Taxes

Income taxes are accounted for by the liability method of income-tax allocation. Under this method, the income-tax assets and liabilities are recorded to recognize future income-tax inflows and outflows arising from the settlement or recovery of assets and liabilities at carrying values. Future income-tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization. The Corporation establishes a valuation allowance against future income-tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized. The Company has not recognized the income-tax benefit of losses carried forward as they have been fully offset by a valuation allowance.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash and short-term investments as held-for-trading. Other receivables are classified as loans and receivables. Accounts payable and accrued liabilities, due to related parties and promissory notes are classified as other financial liabilities. Cash and short-term investments are designated as held-for-trading and their carrying value approximates fair value as they are cash or they are readily convertible to cash in the normal course. Amounts receivable and amounts due from related parties are classified as loans and receivables. Their carrying value approximates fair value due to their limited time to maturity and ability to convert them to cash in the normal course. Accounts payable and accrued liabilities, and other long term debt are classified as other financial liabilities.

Amended CICA section 3862 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1- quoted prices in active markets for identical assets or liabilities;
Level 2- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3- inputs for the asset or liability that are not based upon observable market data.

New Accounting Pronouncements

The CICA has issued new standards which may affect the financial disclosures and results of operations of the Company. The Company will adopt the requirements on the date specified in each respective section and is considering the impact this will have on the consolidated financial statements.

a) Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Sections 1582, "Business Combinations" 1601, "Consolidated Financial Statements" and 1602, "Non-controlling Interests" to replace Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Section 1601 and 1602 apply to interim and annual consolidated financial statements for years beginning on or after January 1, 2011. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

b) Comprehensive Revaluation of Assets and Liabilities

In August 2009, the CICA amended Section 1625, "Comprehensive Revaluation of Assets and Liabilities". This section has been amended as a result of issuing Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests" in January 2009. The amendment applies prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. If the Company adopts this section for a fiscal year beginning before January 1, 2011, it also adopts Section 1582. The adoption of this standard is not expected to have a material impact on the Company's results of operations or its financial position.

c) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of the year commencing April 1, 2011 and ending March 31, 2012, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements. The Company has evaluated the impact of IFRS on its financial statements and has invested in training and additional resources to ensure a timely conversion. The Company has determined that the adoption of IFRS will not have a significant impact on the carrying value of its assets, liabilities, or shareholders' equity or the measurement of its revenues or expenses.

NOTE 3 – SHORT-TERM INVESTMENTS

During the year ended March 31, 2011, the Company invested in a Guaranteed Investment Certificate (the "GIC") in the amount of $3,250,000 with a maturity date of November 21, 2011 that provides interest at the prime rate less 1.80% if held to maturity. Interest income is being recorded on the GIC and is included in Other Receivables.

NOTE 4 – MINERAL PROPERTIES

	March 31, 2009	Expenditures/ Write offs	March 31, 2010	Expenditures/ Write offs	March 31, 2011
Everett Property					
Property-acquisition costs	$ 34,332	$ 10,000	$ 44,332	$ -	$ -
Claim staking	12,817	-	12,817	-	-
Exploration expenditures	423,576	23,024	446,600	-	-
Written-off exploration expenditure	(423,576)	(80,173)	(503,749)	-	-
	47,149	(47,149)	-	-	-
Eden Lake Property					
Property-acquisition costs	-	50,000	50,000	46,000	96,000
Claim staking	-	-	-	9,046	9,046
Exploration expenditures					
Field expenses	-	-	-	115,983	115,983
Geological	-	33,695	33,695	122,360	156,055
Geophysical	-	108,460	108,460	-	108,460
Other	-	534	534	84,813	85,347
	-	192,689	192,689	378,202	570,891
Red Wine Property					
Property-acquisition costs	-	-	-	3,060	3,060
Exploration expenditures					
Field expenses	-	-	-	40,217	40,217
Geological	-	-	-	63,932	63,932
Geophysical	-	-	-	56,276	56,276
Other	-	-	-	10,784	10,784
	-	-	-	174,269	174,269
Total Expenditures	$ 47,149	$ 145,540	$ 192,689	$ 552,471	$ 745,160

NOTE 4 – MINERAL PROPERTIES (cont'd)

Everett Property, Quebec

On January 16, 2009, the Company signed a definitive Option Agreement to obtain from Romaine River Titanium Inc. ("RRT") the right to acquire a 100% legal and beneficial interest in the Everett iron-titanium property. The property consisted of 60 mineral claims, located in Duplessis County, Quebec.

On August 10, 2009, the Company returned the Everett property to the owner. As a result, $423,576 of exploration expenditures incurred on this property were written off as of March 31, 2009, and $80,173 of acquisition costs and exploration expenditures incurred on this property were written off during the year ended March 31, 2010.

Eden Lake Property, Manitoba

On December 1, 2009, the Company signed a Letter of Intent and on February 23, 2010 executed a definitive option agreement with Rare Element Resources Ltd. ("RES") whereby RES granted the Company an option to acquire a 65% joint venture interest in the Eden Lake rare-earth-element property in Manitoba, subject to a 3% net smelter return royalty in favour of a former property owner.

On September 15, 2010, RES and the Company agreed to amend the definitive option agreement so that a $50,000 payment, which was due to RES following approval of the option agreement by the TSX Venture Exchange on July 14, 2010, would instead be due on the first anniversary of the effective date. The September 15, 2010 amendment also added six Manitoba crown mineral claims, staked by the Company during June and July 2010, to the Eden Lake property. The Eden Lake property now comprises 14 crown mineral claims, covering an area of 3,200 hectares.

Under the terms of the option agreement, the Company will pay an aggregate of $1,450,000, issue an aggregate of 1,800,000 common shares and incur exploration expenditures totaling $2,250,000 within five years of the effective date of the agreement, being July 14, 2010, as follows:

a) Incurring expenditures totaling $2,250,000 as follow:
   - $250,000 by the first anniversary of the effective date; (incurred)
   - an additional $500,000 by the second anniversary of the effective date;
   - an additional $500,000 by the third anniversary of the effective date;
   - an additional $500,000 by the fourth anniversary of the effective date; and
   - an additional $500,000 by the fifth anniversary of the effective date;

b) Issuing to RES 1,800,000 common shares as follow:
   - 200,000 shares within 5 business days of the effective date; (issued)
   - an additional 200,000 shares by the first anniversary of the effective date;
   - an additional 200,000 shares by the second anniversary of the effective date;
   - an additional 200,000 shares by the third anniversary of the effective date;
   - an additional 500,000 shares by the fourth anniversary of the effective date; and
   - an additional 500,000 shares by the fifth anniversary of the effective date;

c) Making $1,450,000 of cash payments as follow:
   - $25,000 upon signing the LOI between the parties; (paid)
   - an additional $25,000 upon signing of the option agreement; (paid)
   - an additional $100,000 by the first anniversary of the effective date;
   - an additional $100,000 by the second anniversary of the effective date;
   - an additional $200,000 by the third anniversary of the effective date;
   - an additional $500,000 by the fourth anniversary of the effective date; and
   - an additional $500,000 by the fifth anniversary of the effective date;

RES has the right to purchase one-half (1.5%) of the former property owner's 3% net smelter return royalty at any time by making a cash payment of $1.5 million to the former property owner. This right is part of the Eden Lake property and shall pass to the joint venture when and if a joint venture is formed between the Company and RES.

NOTE 4 – MINERAL PROPERTIES (cont'd)

Red Wine Property, Labrador

On April 10, 2010, the Company signed a letter agreement with Polaris Capital Ltd (the "vendor"), a private corporation, to acquire a 100% interest in four mineral licenses comprising the Red Wine rare earth mineral property located in the province of Labrador and Newfoundland. The letter agreement was amended on June 10, 2010 and March 16, 2011 to include three additional mineral licenses which were staked by the vendor and to make certain other minor changes to the letter agreement. As a result, the Company is acquiring a 100% interest in a total of seven mineral claims in Labrador and Newfoundland, Canada. The property is subject to a 3% net smelter return royalty, half of which the Company can purchase for $1,500,000.

Under the terms of the amended letter agreement, the Company will pay an aggregate of $475,000, issue an aggregate of 1,750,000 common shares and incur exploration expenditures totaling $550,000, as follows:

a) Making $475,000 of cash payments as follow:
   - an additional $50,000 by the first anniversary of the amended agreement date – being March 16, 2011;
   - an additional $100,000 by the second anniversary of the agreement date;
   - an additional $100,000 by the third anniversary of the agreement date;
   - an additional $100,000 by the fourth anniversary of the agreement date; and
   - an additional $125,000 by the fifth anniversary of the agreement date;

b) Issuing to the vendor 1,750,000 common shares as follow:
   - 50,000 shares upon the amended agreement date and the receipt of TSX-V approval; (issued)
   - an additional 250,000 shares by the first anniversary of the agreement date;
   - an additional 250,000 shares by the second anniversary of the agreement date;
   - an additional 350,000 shares by the third anniversary of the agreement date;
   - an additional 350,000 shares by the fourth anniversary of the agreement date; and
   - an additional 500,000 shares by the fifth anniversary of the agreement date;

c) Incurring expenditures totaling $550,000 as follow:
   - $200,000 by the first anniversary of the agreement date;
   - an additional $50,000 by the second anniversary of the agreement date;
   - an additional $100,000 by the third anniversary of the agreement date;
   - an additional $100,000 by the fourth anniversary of the agreement date; and
   - an additional $100,000 by the fifth anniversary of the agreement date.

NOTE 5 – RECLAMATION BOND

As at March 31, 2008, the Company posted a reclamation bond of US$19,175 with the State of Nevada to cover the cost to reclaim the surface lands disturbed during the exploration programs at the previously held Ocelot Property. During the year ended March 31, 2009, the Division of Minerals, Nevada, re-evaluated the amount of required bond and returned US$7,197 back to the Company, with US$11,732 remaining under the bond to cover the reclamation work.

As of March 31, 2011, the Company had completed the necessary reclamation work on the Ocelot Property and is awaiting the remaining funds to be released from the State of Nevada.

NOTE 6 – EQUIPMENT

The Company provides for amortization of its computer equipment at 45% on a declining balance (one-half of the rate is taken in the year of acquisition and disposition).

Net book value of computer equipment is as follows:

	2011	2010
Computer Equipment	$ 10,067	$ 8,808
Accumulated amortization	(7,792)	(6,445)
Closing Balance – Net book value	$ 2,275	$ 2,363

A summary of the changes in the net book value of the Company's equipment is presented below:

	2011	2010
Opening Balance – Net book value	$ 2,363	$ 4,296
Additions	1,258	-
Amortization	(1,346)	(1,933)
Closing Balance – Net book value	$ 2,275	$ 2,363

NOTE 7 - SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares without par value.

a) On November 3, 2009, the Company completed a non-brokered private placement of 3,900,000 units at $0.10 per unit for gross proceeds of $390,000. Each unit consisted of one common share and one common-share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.20 until November 3, 2011. Cash proceeds from the private placement of $241,755 and $148,245 were allocated, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement.

   The Company paid a $31,500 cash finders' fee, $8,315 in other share issuance costs, and granted 315,000 non-transferable finder's options, exercisable to acquire finder's units at a price of $0.10 until November 3, 2011. A finder's unit consists of one common share of the Company and one non-transferable common-share purchase warrant with the same terms as the private placement warrants. A fair value of $36,826 was assigned to these finders' options.

b) On December 31, 2009 the Company completed a non-brokered private placement consisting of 2,066,429 flow-through common shares at a price of $0.175 per share for gross proceeds of $361,625. The Company paid a $22,691 cash finders' fee, $17,731 in other share issuance costs, and granted 129,664 finders' warrants each exercisable to acquire one non-flow-through common share at an exercise price of $0.225 per share until December 30, 2011. A fair value of $14,417 was assigned to these finders' warrants.

c) On January 20, 2010, the Company completed a non-brokered private placement of 2,150,000 units at a price of $0.175 per unit for gross proceeds of $376,250. Each unit consisted of one common share and one common-share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.30 on or before January 20, 2012. Cash proceeds from the private placement of $240,310 and $135,940 were allocated, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement.

   The Company paid a $25,695 cash finder's fee, $4,272 in other share issuance costs, and granted 51,428 finders' warrants in connection with this private placement. Each finders' warrant is exercisable to acquire one common share at an exercise price of $0.225 until January 20, 2012. A fair value of $5,726 was assigned to these finders' warrants.

NOTE 7 - SHARE CAPITAL (cont'd)

d) On July 5, 2010, the Company completed a non-brokered private placement consisting of 2,999,999 flow-through shares at a price of $0.15 for gross proceeds of $450,000. The Company paid $30,994 of cash finders' fees and issued 261,003 finder's warrants each exercisable to acquire one common share at an exercise price of $0.15 until July 5, 2012. A fair value of $21,055 was assigned to these finders' warrants, and $73,789 of share issue costs were also incurred in connection with this private placement.

e) On July 12, 2010, the Company completed a non-brokered private placement consisting of 2,120,000 units at $0.125 per unit for gross proceeds of $265,000. Each unit consists of one common share and one transferable common share purchase warrant exercisable to acquire one common share at a price of $0.25 until July 12, 2013. Cash proceeds from the private placement of $169,394 and $95,606 were allocated, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing date of the private placement. The Company paid $8,831 of cash finders' fees and issued 63,900 finder's warrants each exercisable to acquire a common share at an exercise price of $0.125 until July 12, 2012. A fair value of $4,901 was assigned to these finders' warrants, and $21,189 of share issue costs were also incurred in connection with this private placement.

f) In the fall of 2010, the Company completed a non-brokered private placement for a total of 9,000,000 units at a price of $0.30 per unit for gross proceeds of $2,700,000, with a first tranche of 3,916,671 units closed on October 25, 2010 and a second tranche of 5,083,329 units closed on November 8, 2010. Each unit consists of one common share and one half of one common share purchase warrant exercisable to acquire one common share at a price of $0.40 for a period of three years from the applicable closing date. Cash proceeds from the private placement of $1,946,858 and $753,142 were allocated, respectively, to the common shares and warrants issued in the private placement based on their relative fair values at the closing dates of the private placement. The Company paid a total of $126,600 in cash finders' fees as well as $29,375 in finance fees, and issued a total of 727,837 finder's warrants each exercisable to acquire a common share at a price of $0.40 per share for a period of 2 years from closing. A fair value of $316,912 was assigned to these finders' warrants. In addition, the Company granted a total of 187,127 finders units at a deemed price of $0.30 per unit. Each finder's unit consists of one common share and one-half of one non-transferable common share purchase warrant with the same terms as the private placement warrants. A fair value of $40,665 and $15,473 was allocated, respectively, to the common shares and warrants issued on these finders' units. In addition to the cash finders' fees and finance fees paid, $56,155 of share issue costs were also incurred in connection with this private placement.

g) During the year ended March 31, 2011, a total of 2,720,000 stock options were granted to officers, directors, consultants, and advisors of the Company. 1,245,000 stock options with an exercise price of $0.265 were granted with an expiry date of September 13, 2015. All of these stock options vested and were exercisable immediately. 1,390,000 stock options with an exercise price of $0.50 were granted with an expiry date of January 27, 2016. Of these, 1,352,500 stock options vested immediately with 12,500 stock options vesting on each of April 27, 2011, July 27, 2011 and January 27, 2012. 85,000 stock options with an exercise price of $0.40 were granted of which 42,500 vest on July 27, 2011 and 42,500 vest on January 27, 2012.

h) During the year ended March 31, 2011, 475,000 stock options were exercised at an average price of $0.16 for total proceeds of $77,900. A fair value of $86,147 was transferred to share capital on the exercise of these options.

i) During the year ended March 31, 2011, 5,986,226 warrants were exercised at an average price of $0.23 for total proceeds of $1,356,828. A fair value of $289,304 was transferred to share capital on the exercise of these warrants.

j) During the year ended March 31, 2011, 292,500 brokers' compensation options were exercised at a price of $0.10 for total proceeds of $29,250. A fair value of $34,196 was transferred to share capital and $12,811 was allocated to the 292,500 brokers' warrants issued.

k) On September 8, 2010, the Company issued 200,000 common shares valued at $46,000 as an option payment toward the acquisition of a 65% interest in the Eden Lake property.

NOTE 7 - SHARE CAPITAL (cont'd)

WARRANTS

As of March 31, 2011, the following warrants were outstanding:

Expiry Date	Number of Warrants Outstanding	Exercise Price
November 3, 2011	645,000	$ 0.20
December 30, 2011	96,975	$ 0.225
January 20, 2012	1,237,142	$ 0.30
July 5, 2012	238,627	$ 0.15
July 12, 2012	34,650	$ 0.125
October 25, 2012	391,667	$ 0.40
November 12, 2012	336,170	$ 0.40
July 12, 2013	1,591,000	$ 0.25
October 25, 2013	1,958,335	$ 0.40
November 12, 2013	2,635,228	$ 0.40
	9,164,794	$ 0.34

A summary of the changes in the Company's warrants is presented below:

	Number	Weighted Average Exercise Price
Balance, March 31, 2009	3,894,125	$ 0.54
Expired	(3,020,500)	0.63
Issued	6,231,092	0.24
Balance, March 31, 2010	7,104,717	0.24
Exercised	(5,986,226)	0.23
Issued	8,058,803	0.34
Expired	(12,500)	0.25
Balance, March 31, 2011	9,164,794	$ 0.34

STOCK OPTIONS

The Board of Directors is authorized, pursuant to the Company's Stock Option Plan, to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares at the time of grant. The exercise price for a stock option must not be less than the market price of the Company's common shares at the time the option is granted, less applicable discounts permitted by the TSX Venture Exchange. Stock options granted under this plan may be exercisable over a period not exceeding five years.

NOTE 7 - SHARE CAPITAL (cont'd)

As of March 31, 2011, the following options were outstanding:

	Number of Options Outstanding	Exercise Price
September 18, 2011	100,000	$ 0.15
August 15, 2012	250,000	$ 0.15
January 7, 2014	290,000	$ 0.15
January 20, 2014	130,000	$ 0.15
November 6, 2014	440,000	$ 0.15
November 30, 2014	60,000	$ 0.17
February 10, 2015	70,000	$ 0.175
February 23, 2015	70,000	$ 0.20
September 13, 2015	1,185,000	$ 0.265
January 27, 2016	1,390,000	$ 0.50
January 27, 2016	85,000	$ 0.40
	4,070,000	$ 0.31

A summary of the changes in the Company's stock options is presented below:

	Number	Weighted Average Exercise Price
Balance, March 31, 2009	1,250,000	$ 0.18
Granted	825,000	0.16
Expired	(250,000)	0.15
Balance, March 31, 2010	1,825,000	0.15
Granted	2,720,000	0.39
Exercised	(475,000)	0.16
Balance, March 31, 2011 – Outstanding	4,070,000	$ 0.31
Balance, March 31, 2011 – Exercisable	3,947,500	$ 0.31

FINDERS' OPTIONS

	Number	Weighted Average Exercise Price
Balance, March 31, 2009	78,125	$ 0.32
Expired	(78,125)	0.32
Issued (Note 6a)*	315,000	0.10
Balance, March 31, 2010	315,000	0.10
Exercised	(292,500)	0.10
Balance, March 31, 2011	22,500	$ 0.10

* Exercisable until November 3, 2011.

NOTE 8 – RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these statements are as follows:

a) During the year ended March 31, 2011, $113,750 (2010 - $86,240) was charged by a private company controlled by the Chief Executive Officer (the "CEO") of the Company for management fees and $46,144 (2010 – $10,886) for geological consulting fees. At March 31, 2011, $7,098 (2010- $nil) was owed to the CEO and $13,440 (March 31, 2010 - $16,537) was owed to this company.

b) In fiscal 2008, a company owned by a director loaned to the Company an aggregate of $100,000, of which $50,000 was repaid in 2009. The loans were evidenced by way of promissory notes, which bear interest at the rate of prime plus 4% per annum and matured in 2008. As the notes were not repaid on maturity, they became due on demand and any unpaid principal and accrued interest continue to bear interest at the rate of prime plus 3% per annum. During year ended March 31, 2011, the interest accrued totaled $3,116 (2010 - $4,813). As of March 31, 2011, the loans have been repaid and therefore a balance of $nil (2010 - $51,290) was owed on the notes.

c) During the year ended March 31, 2011, the Company incurred $67,415 (2010 - $52,058) of legal fees and $48,549 (2010 - $15,036) of share issue costs to a law firm in which a director of the Company is a principal. At March 31, 2011, $4,985 (2010 - $19,753) was owed to this firm.

d) During the year ended March 31, 2011, $59,800 (2010 - $32,445) was charged by a private company controlled by the President of the Company for consulting fees. At March 31, 2011, $11,200 (2010 - $7,560) was owed to this company.

e) During the year ended March 31, 2011, the Company paid $16,361 (2010 – $nil) in rent in connection with an office sub-lease the Company entered into with a company owned by a director (see Note 9).

f) During the year ended March 31, 2011, the Company incurred $38,535 (2010 - $nil) of consulting fees to the Chief Financial Officer (the "CFO") of the Company. At March 31, 2011, $3,654 (2010 - $nil) was owed to the CFO.

g) In connection with the non-brokered private placements dated July 5 and July 12, 2010 (see Notes 7d, and 7e) a director of the Company purchased a total of 3,966 shares of the Company for gross proceeds of $595.

h) In connection with the private placement dated July 12, 2010 (see Note 7e), a company controlled by a director of the Company purchased 96,000 units for gross proceeds of $12,000.

NOTE 9 – COMMITMENTS

The Company entered into a sub-lease with a company owned by a director for office premises which commenced June 1, 2010, and expires on June 30, 2011. The monthly rent of $1,818 commenced July 1, 2010 and is due at the beginning of each month. Subsequent to the year end, the Company exercised the option to extend the lease agreement for an additional year under the same terms and conditions. The following is a summary of the future lease commitments:

Fiscal 2012	$ 21,816
Fiscal 2013	$ 5,454

NOTE 10 – FINANCIAL INSTRUMENTS

At March 31, 2011, the following table sets forth the levels in the fair value hierarchy in which the Company's financial assets and liabilities are measured and recognized in the balance sheet. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level 1
Cash	$ 326,532
Short-term investments	$ 3,250,000

NOTE 10 – FINANCIAL INSTRUMENTS (cont'd)

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At March 31, 2011, there were no financial assets or liabilities measured and recognized in the balance sheet at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

The fair values of the Company's cash, short-term investments, other receivables, accounts payables and accrued liabilities, due to related parties and promissory notes approximate their carrying values. The Company's financial instruments are exposed to certain financial risks including credit risk, liquidity risk, and commodity-price risk.

a) Credit risk
The Company's cash, and short-term investments are held in a Canadian financial institution. The Company's other receivables consist primarily of goods and services tax due from the federal government of Canada.

b) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

c) Commodity price risk
The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of several commodities. The Company has not hedged any potential future commodity sales. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

d) Sensitivity analysis
The Company has, for accounting purposes, designated its cash and short-term investments as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities are classified for accounting purpose as other financial liabilities which are measured at amortized cost. As at March 31, 2011, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected significantly by interest rate risk, foreign currency risk and price risk. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. Commodity price risk could, however, affect the Company. In particular, the Company's future profitability and viability of development depends upon world markets for natural resources. As of March 31, 2011, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken.

NOTE 11 - MANAGEMENT OF CAPITAL RISK

The Company manages its cash, common shares, stock options, finder's options and warrants as capital (Note 7). The Company's objectives when managing capital are to safeguard the Company's 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.

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, acquire or dispose of assets or adjust the amount of cash. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not currently pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments issued by a major Canadian chartered bank, with varying maturities, selected with regards to the expected timing of expenditures from continuing operations.

NOTE 12 – INCOME TAXES

The Company has non-capital losses for income tax purposes of approximately $2,330,000 (2010 - $1,603,000), which may be used to reduce future taxable income in Canada, expiring between 2011 and 2031. The Company has a net capital loss of $130,000 (2010 - $130,000), which can be carried forward to set off against future taxable capital gains. The Company has unclaimed exploration and development expenditures of approximately $4,083,000 (2010 - $4,708,000) which can be deducted for income tax purposes in Canada in future years at the Company's discretion.

Future income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

The reconciliation of income tax benefit computed at statutory rates to the reported income tax benefit is as follows:

		2011		2010
Loss before income taxes	$	(1,325,931)	$	(685,123)
		28.00%		29.63%
Income tax benefit computed at Canadian statutory rates	$	371,000	$	203,000
Mineral property costs expensed		(6,000)		(87,000)
Stock-based compensation		(198,000)		(34,000)
Other		52,000		59,000
Renunciation of expenditures related to flow-through shares		126,000		103,000
Non-capital loss deductions expired		(13,000)		(13,000)
Change in tax rate		1,000		(312,000)
Change in valuation allowance		(207,000)		184,000
Future income tax recovery	$	126,000	$	103,000

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

		2011		2010
Future income tax assets (liabilities):				
Non-capital loss carry-forwards	$	584,000	$	401,000
Capital loss carry-forwards		16,000		16,000
Equipment		2,000		2,000
Mineral properties		1,021,000		1,177,000
Undeducted financing costs		85,000		44,000
		1,708,000		1,640,000
Valuation allowance for future income tax assets		(1,708,000)		(1,640,000)
	$	-	$	-

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period. A valuation allowance has been provided against all net future tax assets, as realization of such net assets is uncertain.

NOTE 13 – SUBSEQUENT EVENTS

The following events took place subsequent to March 31, 2011:

a. On April 29, 2011, the Company announced that it has elected to proceed with the option to acquire a 100% interest in the Red Wine Property and has negotiated with the vendor an amended option agreement which provides for the following terms:

   i. the issuance to the vendor of 50,000 common shares of the Company (issued May 20, 2011),

   ii. payment to the vendor over a period of five years, beginning from the date the TSX Venture Exchange provides final approval of the transaction, an aggregate of $475,000 cash and issuance to the vendor of an additional 1,750,000 shares of the Company, and

   iii. completion of exploration work on the Red Wine Property during the five-year period totaling $550,000, and

   In addition, the Company may purchase half of the vendor's 3% royalty at any time by making a cash payment of $1,500,000 to the vendor.

b. On June 14, 2011, the Company granted 75,000 stock options to a consultant of the Company with an exercise price of $0.23 and an expiry date of June 14, 2016. These stock options vest and are exercisable immediately.