Champion Minerals Inc.
(an exploration stage company)

Consolidated Financial Statements
March 31, 2011 and 2010

Collins Barrow
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Champion Minerals Inc.

We have audited the accompanying consolidated financial statements of Champion Minerals Inc., which comprise the balance sheets as at March 31, 2011 and March 31, 2010 and the statements of loss, comprehensive loss and deficit and cash flows 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.

Auditors' 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Champion Minerals Inc. as at March 31, 2011 and March 31, 2010, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
June 28, 2011
Toronto, Ontario

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Champion Minerals Inc.
(an exploration stage company)
Consolidated Balance Sheets

	As at March 31, 2011 $	2010 $
Assets		
Current		
Cash and cash equivalents	27,747,442	6,225,219
Short-term investments	14,029,734	-
Receivables	737,114	401,766
Due from Northfield Metals Inc. (note 3)	7,500	-
Prepaid expenses and deposits for exploration expenditures	380,888	178,772
	42,902,678	6,805,757
Mineral resource properties (note 4)	28,465,034	7,621,010
	71,367,712	14,426,767
Liabilities		
Current		
Accounts payable and accrued liabilities	3,168,499	2,070,525
Notes payable (note 4)	1,000,000	-
	4,168,499	2,070,525
Future income taxes (note 8)	-	326,000
	4,168,499	2,396,525
Shareholders' equity		
Capital stock (note 5)	69,075,196	15,584,671
Warrants (note 5)	6,234,889	2,035,794
Contributed surplus (note 5)	5,152,528	1,093,238
Deficit	(15,100,271)	(6,683,461)
	65,362,342	12,030,242
Non-controlling interest (note 5)	1,836,871	-
	67,199,213	12,030,242
	71,367,712	14,426,767

Commitments (notes 4 and 10)
Subsequent event (note 11)

On behalf of the Board:

Thomas Larsen
Director

Paul Ankcorn
Director

Champion Minerals Inc.

(an exploration stage company)

Consolidated Statements of Loss, Comprehensive Loss and Deficit

	Years ended March 31, 2011 $	2010 $	Cumulative since March 14, 2006 $
Expenses			
Professional fees	198,300	80,745	635,679
Consulting fees	1,297,000	641,493	2,362,493
Stock-based compensation (note 5)	5,313,000	503,236	6,398,581
General and administrative	563,819	288,689	1,227,048
Investor relations	1,263,717	360,089	1,699,136
Travel	376,230	279,315	718,910
Part XII.6 tax	542	17,192	74,611
	9,012,606	2,170,759	13,116,457
Loss before the following items	(9,012,606)	(2,170,759)	(13,116,457)
Management fees	-	60,794	60,794
Interest	113,546	-	113,546
Loss before income taxes	(8,899,060)	(2,109,965)	(12,942,117)
Future income tax recovery (note 8)	482,250	548,600	1,529,350
Loss and comprehensive loss	(8,416,810)	(1,561,365)	(11,412,767)
Deficit, beginning of period	(6,683,461)	(5,122,096)	(3,687,504)
Deficit, end of period	(15,100,271)	(6,683,461)	(15,100,271)
Loss per share-basic and diluted	(0.135)	(0.062)	
Weighted average number of shares outstanding - basic and diluted	62,460,459	24,992,453	

Champion Minerals Inc.
(an exploration stage company)
Consolidated Statements of Cash Flows

	Years ended March 31, 2011 $	2010 $	Cumulative since March 14, 2006 $
Cash provided by (used in)			
Operating activities			
Loss for the period	(8,416,810)	(1,561,365)	(11,412,767)
Items not affecting cash			
Stock-based compensation	5,313,000	503,236	6,398,581
Future income tax recovery	(482,250)	(548,600)	(1,529,350)
Changes in non-cash operating working capital			
Receivable	(335,348)	(266,052)	(737,115)
Prepaid expenses and deposit	(202,116)	(146,509)	(380,888)
Accounts payable and accrued liabilities	596,513	(187,998)	1,034,428
	(3,527,012)	(2,207,288)	(6,627,111)
Financing activities			
Issue of common shares	45,814,999	7,987,129	59,004,877
Exercise of stock options	1,765,400	93,000	1,879,775
Exercise of warrants	6,730,274	1,712,000	8,443,174
Loan payable	-	-	122,880
Share issue costs	(3,170,914)	(648,698)	(4,183,433)
	51,139,759	9,143,431	65,267,273
Investing activities			
Short-term investments	(14,029,734)	-	(14,029,734)
Due from Northfield Metals Inc.	(7,500)	-	(7,500)
Mineral resource properties	(12,053,297)	(1,741,684)	(16,855,493)
	(26,090,531)	(1,741,684)	(30,892,727)
Net increase in cash and cash equivalents	21,522,216	5,194,459	27,747,435
Cash and cash equivalents, beginning of period	6,225,219	1,030,760	-
Cash and cash equivalents, end of period	27,747,435	6,225,218	27,747,435
Non-cash transactions			
Issued for mineral resource properties			
Common shares	5,452,400	366,500	
Notes payable	1,000,000	-	
Issue of warrants for share issue costs	1,581,000	-	
Issue of warrants for finders fee	-	153,683	
Issue of unit warrants for finders fee	-	46,308	
Supplementary information			
Interest paid	-	-	
Income taxes paid	-	-	

1. Nature of operations

Champion Minerals Inc. (the "Company") was incorporated under the laws of Ontario. The Company operates primarily in the exploration and development of iron ore mineral properties in Canada. The Company considers that it entered the exploration stage on March 14, 2006 upon acquiring an option to acquire an interest in a mineral resource property.

The Company is in the exploration stage and has not yet determined whether its mineral resource properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for mineral resource properties is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for mineral resource properties do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for mineral resource properties.

The Company is exposed to commodity price risk with respect to iron ore commodity prices. A significant decline in iron ore commodity prices may affect the Company's ability to obtain capital for the exploration and development of its mineral resource properties.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Consolidation
These consolidated financial statements include the accounts of the Company and its controlling interest in a joint venture, after the elimination of intercompany balances and transactions.

Cash and cash equivalents
Cash and cash equivalents consists of cash on deposit and short-term deposits with a maturity of less than three months.

Mineral resource properties
Costs relating to the acquisition, exploration and development of mineral resource properties are deferred until the properties are brought into commercial production, at which time, they are amortized over the estimated useful life of the related property on a unit-of-production basis. The cost of mineral resource properties includes the cash consideration and the fair value of shares issued on the date the property is acquired. The proceeds from options granted on properties are credited to the cost of the related property. When a property is determined to be non-commercial, non-productive or its value otherwise impaired, those costs in excess of estimated recoveries are charged to operations.

The Company reviews its mineral resource properties on an annual basis to determine if events or circumstances have transpired which indicate that its carrying value may not be recoverable. The recoverability of costs incurred on mineral resource properties is dependent upon numerous factors, including exploration results, environmental risks, commodity risks, and the Company's ability to attain profitable production. It is possible that conditions in the near-term could change the Company's assessment of the carrying value.

Mining tax credits
Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in Quebec and are recorded as a reduction of mineral resource properties.

Asset retirement obligations
The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. The Company has not incurred and is not committed to any asset retirement obligations in respect of its mineral resource properties.

Flow-through shares
The Company finances a portion of its exploration activities through the issue of flow-through shares issued pursuant to the *Income Tax Act* (Canada). Under the terms of these share issues, the deductions for income tax purposes of the related expenditures are renounced to the subscriber of the flow-through shares. Share capital is reduced and future income taxes are increased by the estimated income tax benefits renounced by the Company to the subscribers, except to the extent that the Company has unrecorded loss carryforwards and income tax pools in excess of book value available for deduction.

Stock-based compensation
The Company enters into transactions in which services are the consideration received for the issuance of stock or stock-based instruments. The value of these transactions are measured and accounted for, based on the fair value of the equity instruments issued or the value of the services, whichever is more reliably measurable. Stock-based compensation for instruments awarded to non-employees is expensed in the year during which the services are rendered. Stock-based compensation for instruments awarded to employees is measured and recognized based on the fair value of the instruments and is expensed over the vesting period of the instruments.

Income taxes
Income taxes are recorded using the asset and liability method of income tax allocation. Future income tax relates to the expected consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment at the time that the differences are expected to reverse.

Loss per share
The basic income (loss) per share is calculated by dividing the income (loss) applicable to the common shares by the weighted average number of shares outstanding during the year. Fully diluted income (loss) per share is calculated using the treasury stock method and reflects the potential dilution by including stock options and contingently issuable shares, in the weighted average number of common shares outstanding for the year.

Estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the reporting period. The significant areas requiring the use of management estimates include the carrying value of mineral resource properties, the determination of income tax assets and liabilities, the valuation of warrants and stock-based compensation. Actual results could differ from those estimates.

Financial instruments
Financial instruments are measured at fair value on initial recognition and valued in subsequent periods based upon their classification as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities. Financial assets and liabilities classified as held-for-trading are valued at fair value with gains and losses recognized in income. Financial assets classified as available-for-sale are valued at fair value with unrealized gains and losses recognized in other comprehensive income. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities classified as other liabilities are valued at amortized cost using the effective interest rate method. The Company has classified its cash and cash equivalents and short-term investments as held-for-trading; due from Northfield Metals Inc. as loans and receivables; and accounts payable and accrued liabilities and notes payable as other financial liabilities.

The Company measures the fair value of its financial assets and financial liabilities based on the classification of the fair values in a hierarchy comprising three levels, which reflects the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Transaction costs
Transaction costs for financial instruments classified as held-for-trading are expensed as incurred.

New accounting policies
On April 1, 2010, the Company adopted CICA Handbook Section 1582, “Business Combinations”, which will replace Section 1581, “Business Combinations”. The new standard establishes standards for the recognition and measurement of identifiable assets acquired, liabilities assumed, non-controlling interest in the acquiree and goodwill acquired in a business combination. The new standard is effective for financial periods beginning on or after January 1, 2011.

On April 1, 2010, the Company adopted CICA Handbook Sections 1601, “Consolidated Financial Statements” and Section 1602, “Non-controlling Interests”, which together, will replace section 1600, “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602, establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The new standard is effective for financial periods beginning on or after January 1, 2011.

The Company early adopted and applied these new standards to the acquired controlling interest in a joint venture.

International Financial Reporting Standards (“IFRS”)
In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian generally accepted accounting principles will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS commencing with the interim financial statements for the 3 months ended June 30, 2011. The changeover date of April 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Due from Northfield Metals Inc.

The amount of $7,500 due from Northfield Metals Inc. (“Northfield”) is unsecured, non-interest bearing and is due on demand. Two directors of the Company are directors of Northfield.

4. Mineral resource properties

	March 31, 2010 $	Acquisition costs $	Exploration $	March 31, 2011 $
Fermont	3,086,204	8,194,236	385,988	11,666,428
Bellechase	31,300		116,104	147,404
Don Lake	–		394,046	394,046
Fire Lake North	888,007		6,355,885	7,243,892
Harvey-Tuttle	1,412,629		4,551,514	5,964,143
Moire Lake	–		712,900	712,900
Penguin Lake	–		15,475	15,475
Powderhorn	1,303,506	–	92,757	1,396,263
Attikamagen	439,398	–	–	439,398
Gullbridge	396,166	–	25,119	421,285
Pterodactyl	63,800	–	–	63,800
	7,621,010	8,194,236	12,649,788	28,465,034

	March 31, 2009 $	Acquisition costs $	Exploration $	March 31, 2010 $
Fermont	1,772,250	429,000	884,954	3,086,204
Bellechase	–	–	31,300	31,300
Harvey-Tuttle	–	–	1,412,629	1,412,629
Fire Lake North	–	–	888,007	888,007
Powderhorn	1,257,444	28,000	18,062	1,303,506
Attikamagen	442,771		(3,373)	439,398
Gullbridge	359,546	119,500	(82,880)	396,166
Pterodactyl	63,800	–	–	63,800
	3,895,811	576,500	3,148,699	7,621,010

Exploration is reported net of option payments and mining tax credits received.

Fermont Property

The Company, through a newly formed joint venture, owns an 82.5% interest in the Fermont Property covering an area of 642 square kilometres situated in northeastern Quebec. As the Company controls the joint venture, the joint venture is accounted for as a subsidiary in these financial statements. On the date of acquisition of control of the joint venture, all of the purchase price was allocated to the mineral resource properties.

Completion of option to acquire an interest in 54 claim blocks

On May 27, 2008, the Company acquired an option to earn a 70% interest in the Fermont Property which consists of 16 claim blocks (“Claims” or individually, a “Claim Block”) covering 385 square kilometres in northeastern Quebec.

On August 31, 2009, the option was amended to include (a) an option to acquire up to a 70% interest in the Penguin Lake iron ore property, which consists of 39 claims covering 20.67 square kilometres in northeastern Quebec and (b) a right of first refusal on the sale or transfer of the Lamellee Lake iron ore property in northeastern Quebec. In consideration of the amendment, the Company issued 400,000 common shares with a value of $142,000 to the optionors on October 2, 2009.

Effective June 8, 2010, the Company made option payments, issued common shares and incurred sufficient exploration expenditure to earn a 65% interest in the Claims, as follows:

	Option payments $	Common shares Number	$	Exploration expenditures $
On closing, (paid and issued)	100,000	700,000	231,000	–
November 27, 2008 (paid)	100,000	–	–	–
May 27, 2009 (paid, issued and incurred)	200,000	300,000	87,000	750,000
August 31, 2009 amendment (issued)	–	400,000	142,000	–
May 27, 2010 (paidand issued)	200,000	400,000	368,000	–
May 27, 2011 (paid and issued)	200,000	600,000	480,000	–
May 27, 2012 (paid, issued and incurred)	200,000	900,000	720,000	5,250,000
	1,000,000	3,300,000	2,028,000	6,000,000

The Company has the option to earn an additional 2.5% interest in any Claim Block by issuing 250,000 common shares on a one-time basis and then incurring all necessary expenditures to completion of a positive bankable feasibility study for the respective Claim Block.

The Claims are subject to a 3% net smelter return royalty ("NSR"), of which, the Company has the option to purchase one-third for $3,000,000. The Company will have the right of first refusal on the NSR and the vendors' interest in the Claims.

Upon the Company earning its 65% interest, a joint venture was formed to incur additional exploration expenditures. If the other joint venturers do not choose to fund their proportionate interest in the joint venture, their interest will be diluted and, when their interest is reduced below 10%, their interest would be reduced solely to the NSR. In the event that the Company or the other joint venturers propose to acquire any property within 10 kilometres of the Fermont Property, the purchaser must offer the property proposed to be acquired to the other party for inclusion in the joint venture at cost.

Acquisition of a 17.5% interest
On July 12, 2010, the Company increased its interest in the Claims to 82.5% by acquiring a 17.5% interest for the payment of $2,000,000 ($1,000,000 paid on closing, $500,000 payable on July 12, 2011 and $500,000 payable on January 12, 2012) and the issue of 4,000,000 common shares valued at $3,600,000.

Acquisition of other claims
On August 10, 2010, the Company staked an additional 290 claims covering an area of 223 square kilometres.

On September 15, 2010, the Company acquired a 100% interest in the O'Keefe-Purdy and Moire Lake claim blocks. The O'Keefe-Purdy claim block consists of 182 claims covering 94.3 square kilometres and the Moire Lake claim block consists of 25 claims covering 11 square kilometres. In order to acquire its interest, the Company paid $25,000 and issued 125,000 common shares valued at $110,000.

On March 30, 2011, the Company acquired a 100% interest in the Black Dan and East Inlet claim blocks. The Black Dan claim block consists of 13 claims covering 6.8924 square kilometres and the East Inlet claim block consists of 28 claims covering 14.8079 square kilometres. In order to acquire its interest, the Company paid $60,000 and issued 80,000 common shares valued at $174,400.

Powderhorn
The Company has the option to acquire a 70% interest in the Powderhorn Lake Project ("Powderhorn"), which consists of 115 claims covering an area of 29 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland. In order to earn its interest, the Company must make option payments, issue common shares and incur exploration expenditures as follows:

	Option payments $	Common shares Number	$	Exploration expenditures $
To earn 70% interest				
Paid, issued and incurred prior to March 31, 2008	40,000	250,000	65,000	200,000
June 11, 2008 (paid, issued and incurred)	10,000	250,000	245,000	300,000
At the earliest date the Company completes the exploration expenditure requirements, makes an economic discovery as evidenced by a pre-feasibility study or June 11, 2009 (issued)	–	100,000	28,000	–
June 11, 2011 (incurred prior to March 31, 2011)	–	–	–	500,000
	50,000	600,000	338,000	1,000,000

Powderhorn is encumbered with a 2.85% net smelter royalty ("NSR"), of which, 1.85% can be purchased by the joint venture participants for $2,300,000 to reduce the NSR to 1.0%.

Attikamagen

The Company owns a 100% interest in 532 claims covering 139.2 square kilometres in Labrador and Quebec. On July 20, 2007, the Company acquired a 100% interest in 52 claims comprising the Attikamagen Lake Iron Property in western Labrador for a cash payment of $40,000 and the issuance of 100,000 common shares of the Company for consideration of $30,000. The Company agreed to pay an aggregate royalty of $3.00 per tonne of iron content in any and all iron ore, pellets or other products produced ("Aggregate Royalty").

On March 28, 2008, the Company staked 451 claims known as the Lake Attikamagen Extension Claim Block in Labrador and 29 claims known as the Lac Sans Chef Quebec Claim Block.

On February 15, 2008, the Company signed an amendment to the purchase agreement which reduced the Aggregate Royalty to $1.50 per tonne and granted the Company an option to purchase the Aggregate Royalty for $2,500,000. In return for the amendment, the Company issued 150,000 common shares with a value of $45,000 on April 22, 2008.

On June 18, 2008, the Company acquired a 100% interest in the Pterodactyl Claims which consists of 16 claims in western Labrador, adjacent to the Attikamagen Property for 110,000 common shares with a value of $63,800.

Attikamagen option and joint venture agreement

On May 12, 2008, the Company granted an option to earn up to a 60% interest in its Attikamagen Property. In order to earn its interest, the optionee must incur exploration expenditures as follows:

	Exploration expenditures $
To earn 51% interest	
March 26, 2009 (incurred)	2,500,000
March 26, 2011 (incurred)	2,500,000
March 26, 2012 (extended from March 26, 2011)	2,500,000
	7,500,000
To increase to 56% interest	
March 26, 2013 (extended from March 26, 2012)	2,500,000
To increase to 60% interest	
March 26, 2014 (extended from March 26, 2013)	3,000,000 (increased by $500,000)
	13,000,000

On March 25, 2010, all commitments under the option were deferred for 1 year and exploration expenditures were increased by $500,000.

Option for the Gullbridge Property
On May 5, 2008, the Company acquired an option to earn an 85% interest in the Gullbridge Property in the Buchans Mining Camp, Newfoundland. In order to earn its interest, the Company must make the option payments, issue common shares and incur exploration expenditures as follows:

	Option payments $	Common shares Number	Common shares $	Exploration expenditures $
To earn 51% interest				
On closing (paid and issued)	10,000	50,000	28,500	–
May 5, 2009 (paid, issued and incurred)	10,000	100,000	33,000	200,000
March 23, 2010 (issued)	–	75,000	76,500	–
May 5, 2011 (paid, issued and incurred subsequent to March 31, 2011)	10,000	75,000	–	200,000
May 5, 2012 (extended from May 5, 2011)	–	–	–	400,000
	30,000	300,000	138,000	800,000
To increase to 75% interest				
2 years after earning 51% interest	–	150,000	–	700,000
To increase to 85% interest	–	–	–	All necessary expenditures up to the completion of a positive bankable feasibility study

On March 23, 2010, all commitments under the option were deferred for 1 year, except for the commitment to issue 75,000 of the common shares due on March 23, 2010.

5. Capital stock

Authorized
An unlimited number of common shares.

Issued

	Number of shares	$
Balance as at March 31, 2009	20,023,535	7,809,287
Issued for mineral resource properties (note 4)	975,000	366,500
Private placement of units	8,799,999	3,780,000
Private placement of flow-through units	4,594,779	2,527,129
Private placement of common shares	3,500,000	1,680,000
Exercise of stock options	290,000	93,000
Fair value of stock options exercised	–	65,254
Fair value of stock options cancelled	–	52,148
Exercise of warrants	3,360,000	1,712,000
Fair value of warrants exercised	–	456,291
Fair value of warrants issued	–	(2,099,783)
Fair value of warrants expired	–	261,143
Renunciation of flow-through expenditures	–	(632,000)
Share issue costs, net of tax	–	(486,298)
Balance as at March 31, 2010	41,543,313	15,584,671
Issued for mineral resource properties (note 4)	6,105,000	5,452,400
Private placement of units	13,933,333	15,190,000
Private placement of flow-through shares	480,769	625,000
Private placement of common shares	12,000,000	30,000,000
Exercise of stock options	2,350,000	1,765,400
Fair value of stock options exercised	–	1,253,710
Fair value of warrants issued	–	(6,822,036)
Exercise of warrants	6,575,088	6,730,274
Fair value of warrants exercised	–	2,618,644
Fair value of warrants expired	–	4,297
Renunciation of flow-through expenditures	–	(156,250)
Share issue costs, net of tax	–	(3,170,914)
Balance as at March 31, 2011	82,987,503	69,075,196

Private placements - 2010

Private placement of units
On September 14, 2009, the Company completed a private placement of 3,200,000 units at a price of $0.25 per unit for gross proceeds of $800,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share for $0.50 until March 14, 2011. If the average closing price of the common shares is over $0.75 for 20 consecutive business days, the common share purchase warrants must be exercised within 30 calendar days of the Company providing written notice, or they will be cancelled.

The fair value of the common share purchase warrants was $437,789 calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.4%
Expected volatility	141%
Expected life of warrants	1.5 years
Expected dividend yield	Nil

On February 12, 2010, the Company provided written notice that the average closing price of the common shares was over $0.75 for 20 consecutive business days and all of the common share warrants were exercised.

Private placement of flow-through units
On December 31, 2009, the Company completed a private placement of 4,594,779 units at a price of $0.55 per flow-through unit for gross proceeds of $2,527,129. Each flow-through unit consists of one common share issued on a flow-through basis under the *Income Tax Act* (Canada) and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share for $0.85 per share until June 30, 2011. In connection with the private placement, the Company incurred a finder's fee consisting of (i) $167,594 in cash; (ii) 263,360 finders' fee unit warrants entitling the holder to purchase one finders' fee unit for $0.55 until June 30, 2011, with each unit consisting of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share for $0.85 until June 30, 2011; and (iii) 90,017 finders' fee warrants entitling the holder to purchase one common share for $0.85 until June 30, 2011.

The fair value of the common share purchase warrants of $574,110, finders' fee unit warrants of $79,130 and finders' fee warrants of $22,495 were calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.15%
Expected volatility	129%
Expected life of warrants	1.5 years
Expected dividend yield	Nil

Private placement of units
On January 11, 2010, the Company completed a private placement of 3,800,000 units at a price of $0.50 per unit for gross proceeds of $1,900,000. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share for $0.75 until July 11, 2011. In connection with the private placement, the Company incurred a finder's fee consisting of (i) $122,500 in cash; (ii) 70,000 finders' fee unit warrants entitling the holder to purchase one unit for $0.50 until July 11, 2011; and (iii) 38,500 common share purchase warrants entitling the holder to purchase one common share for $0.75 until July 11, 2011.

The fair value of the common share purchase warrants of $466,270, finders' fee unit warrants of $17,178 and finders' fee warrants of $9,448 were calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.10%
Expected volatility	130%
Expected life of warrants	1.5 years
Expected dividend yield	Nil

Private placement of common shares
On January 13, 2010, the Company completed a private placement of 3,500,000 common shares at a price of $0.48 per share for gross proceeds of $1,680,000. In connection with the private placement, the Company incurred a finder's fee consisting of (i) $134,400 in cash and (ii) 350,000 finders' fee warrants entitling the holder to purchase one common share for $0.60 until July 13, 2011.

The fair value of the finders' fee warrants of $121,740 was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.44%
Expected volatility	130%
Expected life of warrants	1.5 years
Expected dividend yield	Nil

Private placement of units
On February 22, 2010, the Company completed a private placement of 1,799,999 units at a price of $0.60 per unit for gross proceeds of $1,080,000. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share for $0.90 until August 22, 2011. In connection with the private placement, the Company paid a finder's fee of $86,400.

The fair value of the common share purchase warrants of $371,623 was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.38%
Expected volatility	130%
Expected life of warrants	1.5 years
Expected dividend yield	Nil

Private placements - 2011

Private placements of units
On April 30, 2010, the Company completed a private placement of 10,600,000 units at a price of $1.15 per unit for gross proceeds of $12,190,000. Each unit consists of one common share and one-half of one common share warrant, with each whole warrant entitling the holder to purchase one common share at a price of $1.50 per share until April 30, 2012. In connection with the private placement, the Company paid a commission of $731,400 and issued 636,000 broker warrants, with each broker warrant entitling the holder to purchase one common share at a price of $1.15 per share until April 30, 2012.

The fair value of $3,388,114 for the 5,300,000 common share purchase warrants and $443,000 for the 636,000 broker warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.86%
Expected volatility	124%
Expected life of warrants	2 years
Expected dividend yield	Nil

On October 8, 2010, the Company completed a private placement of 3,333,333 units at a price of $0.90 per unit for gross proceeds of $3,000,000. Each unit consists of one common share and one common share warrant entitling the holder to purchase one common share at a price of $1.20 per share until October 7, 2012, and thereafter, $1.50 per share until October 7, 2013.

The fair value of $1,822,000 for the 3,333,333 common share purchase warrants was calculated using the Black-Scholes option pricing model with the following assumptions

Risk-free interest rate	1.52%
Expected volatility	108%
Expected life of warrants	3 years
Expected dividend yield	Nil

Private placements of flow-through common shares
On November 15, 2010, the Company completed a private placement of 480,769 flow-through common shares at a price of $1.30 per share for gross proceeds of $625,000.

Private placement of common shares
On February 3, 2011, the Company completed a private placement of 12,000,000 common shares at a price of $2.50 per share for gross proceeds of $30,000,000. In connection with the private placement, the Company paid a commission of $1,800,000 representing 6% of the gross proceeds of the private placement and issued 792,000 warrants entitling the holder to purchase one common share for $2.84 until February 3, 2013.

The fair value of $1,138,000 for the 792,000 warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.77%
Expected volatility	99%
Expected life of warrants	2 years
Expected dividend yield	Nil

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

	Common share purchase warrants			Unit warrants			
	Number of warrants	Weighted-average exercise price $	$	Number of warrants	Weighted-average exercise price $	$	Total $
Balance, March 31, 2009	3,948,100	0.68	653,445	–	–	–	653,445
Issued	8,775,907	0.70	2,003,475	333,360	0.54	96,308	2,099,783
Exercised	(3,360,000)	0.51	(456,291)	–	–	–	(456,291)
Expired	(1,773,100)	0.71	(261,143)	–	–	–	(261,143)
Balance, March 31, 2010	7,590,907	0.76	1,939,486	333,360	0.54	96,308	2,035,794
Issued	10,175,238	1.51	6,822,036	–	–	–	6,822,036
Exercised	(6,347,278)	1.04	(2,550,748)	(227,810)	0.56	(67,897)	(2,618,644)
Expired	(25,000)	0.70	(4,297)	–	–	–	(4,297)
Balance, March 31, 2011	11,393,867	1.25	6,206,473	105,500	0.52	28,411	6,234,889

A summary of the Company’s warrants outstanding at March 31, 2011 is presented below:

Common share warrant exercise price	**Expiry date**	**Warrants outstanding**
$0.85	June 30, 2011	2,059,215
$0.85	June 30, 2011	20,462
$0.75	July 11, 2011	1,080,500
$0.75	July 11, 2011	19,250
$0.60	July 13, 2011	315,000
$0.90	August 22, 2011	485,000
$1.50	April 30, 2012	2,742,147
$1.15	April 30, 2012	546,960
$1.20 until October 7, 2012, and thereafter, $1.50 until October 7, 2013	October 7, 2013	3,333,333
$2.84	February 3, 2013	792,000
		11,393,867
Unit warrant exercise price		
$0.55	June 30, 2011	45,550
$0.50	July 11, 2011	60,000
		105,550

Stock options
The Company has established a stock option plan, under which, the Company may grant up to 12,000,000 stock options (March 31, 2010 – 4,075,000) to directors, officers, employees and consultants. Stock options may be granted for a term not exceeding 5 years and stock options granted vest on the date of grant.

	Number of options	Weighted-average exercise price
Balance, March 31, 2009	1,477,500	0.50
Granted	2,227,500	0.32
Exercised	(290,000)	0.32
Cancelled	(152,500)	0.45
Balance, March 31, 2010	3,262,500	0.40
Granted	7,950,000	1.00
Exercised	(2,350,000)	0.75
Cancelled	(355,000)	1.00
Balance, March 31, 2011	8,507,500	0.83

A summary of the Company's outstanding stock options at March 31, 2011 is presented below:

Exercise price	Expiry date	Options outstanding and exercisable
$0.45	January 10, 2013	775,000
$0.70	May 16, 2013	310,000
$0.30	September 16, 2014	1,250,000
$0.33	September 24, 2014	152,500
$0.405	November 9, 2014	50,000
$0.80	January 14, 2015	1,450,000
$0.85	February 2, 2015	300,000
$1.00	March 2, 2015	350,000
$1.15	October 1, 2013	70,000
$1.00	October 3, 2015	2,500,000
$1.00	October 4, 2015	500,000
$1.50	October 4, 2015	500,000
$1.00	October 24, 2015	100,000
$1.10	November 5, 2015	50,000
$2.17	January 10, 2016	150,000
		8,507,500

A summary of the stock options granted during the year ended March 31, 2010, and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model, is presented below:

Date of grant	September 17, 2009	September 25, 2009	November 9, 2009
Options granted	1,695,000	152,500	380,000
Exercise price	$0.30	$0.33	$0.405
Expiry date	September 16, 2014	September 24, 2014	November 9, 2014
Fair value	$353,279	$33,910	$116,047
Risk-free interest rate	2.59%	2.63%	2.72%
Expected volatility	100%	100%	100%
Expected life of options	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%

A summary of the stock options previously granted which were issued upon receipt of shareholder approval on September 3, 2010, and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model, is presented below:

	January 14, 2010	February 2, 2010	March 2, 2010
Options granted	2,200,000	300,000	550,000
Exercise price	$0.80	$0.85	$1.00
Expiry date	January 14, 2015	February 2, 2015	March 2, 2015
Fair value	$1,327,000	$192,000	$414,000
Risk-free interest rate	2.69%	2.45%	2.53%
Expected volatility	100%	100%	100%
Expected life of options	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%

A summary of the stock options granted during the year ended March 31, 2011, and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model, is presented below:

	October 1, 2010	October 3, 2010	October 4, 2010
Options granted	100,000	3,500,000	500,000
Exercise price	$1.15	$1.00	$1.00
Expiry date	October 1, 2013	October 3, 2015	October 4, 2015
Fair value	$65,000	$2,318,000	$331,000
Risk-free interest rate	2.03%	2.03%	2.03%
Expected volatility	100%	100%	100%
Expected life of options	3 years	5 years	5 years
Expected dividend yield	0%	0%	0%

	October 4, 2010	October 24, 2010	November 5, 2010	January 10, 2011
Options granted	500,000	100,000	50,000	150,000
Exercise price	$1.50	$1.00	$1.10	$2.17
Expiry date	October 4, 2015	October 24, 2015	November 5, 2015	January 10, 2016
Fair value	$306,000	$74,000	$41,000	$245,000
Risk-free interest rate	2.03%	1.91%	1.98%	2.46
Expected volatility	100%	100%	100%	100%
Expected life of options	5 years	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%	0%

The stock options vested and the fair value of the stock options was recorded as stock-based compensation on the date of grant.

Contributed surplus

	$
Balance, March 31, 2009	707,403
Fair value of stock options exercised	(117,402)
Stock-based compensation	503,236
Balance, March 31, 2010	1,093,238
Fair value of stock options exercised	(1,253,710)
Stock-based compensation	5,313,000
Balance, March 31, 2011	5,152,528

Non-controlling interest

The non-controlling interest represents a 17.5% interest in the joint venture controlled by the Company.

6. Capital disclosures

Capital of the Company consists of the equity attributable to the common shareholders, comprised of share capital, warrants, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to explore and develop its mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company, it has no revenues and its principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company will spend its existing working capital and raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

7. Financial instruments and risk management

Fair value

Fair value represents the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods.

The carrying value of cash and cash equivalents, short-term investments, accounts payable and accrued liabilities and notes payable approximates fair value due to the short-term nature of these financial instruments.

Fair value hierarchy

Financial instruments measured at fair value classified using the fair value hierarchy described in note 1:

As at March 31, 2011

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial asset held-for-trading				
Cash and cash equivalents and short-term investments	41,777,176	—	—	41,777,176

As at March 31, 2010

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial asset held-for-trading				
Cash	6,225,219	—	—	6,225,219

Level 1 investments are comprised of cash and cash equivalents, short-term investments and publicly-traded equity securities carried at fair value based on available quoted prices.

Risk management
The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk
As the majority of the Company's expenditures are in Canadian dollars, the Company limits it exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

Credit risk
Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure as outlined in note 6. Accounts payable are all due within 30 days and notes payable are due in instalments of $500,000 payable prior to July 12, 2011 and $500,000 payable on January 12, 2012.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

8. Income taxes

During fiscal year 2011, the Company issued $625,000 (2010 - $2,527,129) of flow-through common shares pursuant to the *Income Tax Act* (Canada). On February 28, 2011, the deductions for income tax purposes of the related expenditures were renounced to the subscribers of the flow-through shares. Share capital was reduced and future income tax liability was increased by $156,250 (2010 - $632,500), representing the income tax benefits of the expenditures renounced by the Company to the subscribers. However, since the Company had unrecorded loss carryforwards, the Company recorded a recovery of future income taxes of $482,250 (2010 - $548,600).

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 30.13% (2010 - 32.75%) to the net loss for the year. The reasons for the difference are as follows:

	2011	2010
	$	$
Income tax recovery based on statutory rate	2,681,287	691,000
Stock-based compensation and other non-deductible items	(1,614,876)	(164,800)
Share issue costs	792,729	108,000
Effect of current year's refundable tax credits	(886,772)	–
Change in rate and other	(275,690)	(85,600)
Change in valuation allowance	(214,428)	–
	482,250	548,600

Future income tax assets and liabilities
The Company's future income tax assets and liabilities are valued using the future rate of 25% (2010 - 25%), which is the effective rate when they will be realized, and are as follows:

	2011 $	2010 $
Asset		
Non-capital loss carryforward and share issue costs	2,714,060	1,066,000
Valuation allowance	(214,428)	–
	2,499,632	1,066,000
Liability		
Mineral resource properties, net	(2,499,632)	(1,392,000)
	–	(326,000)

Losses carried forward
At March 31, 2011, the Company had non-capital loss carryforwards which expire as follows:

	$
2027	153,000
2028	406,000
2029	1,088,000
2030	1,812,000
2031	4,291,267
	7,751,058

Resource deductions
At March 31, 2011, the Company has cumulative Canadian exploration expenses of $6,723,000 and cumulative Canadian development expenses of $9,906,000 which may be carried forward indefinitely to reduce taxable income in future years.

9. Related party transactions

	Years ended	March 31,	Outstanding as at March 31,	
	2011 $	2010 $	2011 $	2010 $
Mineral property exploration expenditures				
Paid or payable to 2 companies controlled by directors	131,138	98,947	12,457	11,287
Paid or payable to 2 companies controlled by officers	3,360,244	571,004	459,541	293,588
Common shares				
Share issue costs for legal fees paid or payable to a company controlled by a director	188,685	12,001	33,140	–
Professional fees				
Paid or payable for legal fees to a company controlled by a director	149,637	42,768	–	41,225
Consulting fees				
Consulting fees and bonuses paid or payable to 3 companies controlled by officers (2010 – 5 companies)	911,000	404,456	308,695	205,000
Consulting fees paid or payable to two companies controlled by directors	30,000	–	–	–
Bonuses payable to 6 directors	120,000	104,500	120,000	104,500

These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties.

10. Commitments

Commitments for annual basic premises rent are as follows:

Year	**$**
2012	122,932
2013	84,461
2014	82,384
Thereafter	124,491
	414,267

11. Subsequent event

On May 16, 2011, the Company acquired a 100% interest in claim blocks covering 4.16 square kilometres. In order to acquire its interest, the Company paid $2,500 and issued 25,000 common shares. The claims are subject to a 2% net smelter return royalty (“NSR”), of which, the Company has the option to purchase one-half for $1,000,000. The Company will have the right of first refusal on the NSR.