Roche Bay PLC

Consolidated Financial Statements

March 31, 2013 and 2012

(Expressed in United States Dollars)

Roche Bay PLC

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March 31, 2013 and 2012

MNP LLP

Independent Auditor's Report

To the Shareholders of
Roche Bay PLC

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Roche Bay PLC, which comprise the consolidated statements of financial position as at March 31, 2013 and 2012 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits 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 is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Roche Bay PLC as at March 31, 2013 and 2012 and its financial performance and its cash flows for the years ended March 31, 2013 and 2012 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern.

Other matters

The consolidated financial statements of Roche Bay PLC for the year ended March 31, 2012 were audited by MSCM LLP of Toronto, Canada, prior to its merger with MNP LLP. MSCM LLP expressed an unmodified opinion on those statements on June 22, 2012.

MNP LLP

Toronto, Ontario
June 17, 2013

Chartered Accountants

MNP LLP

Consolidated Statements of Financial Position
(Expressed in United States Dollars)
March 31, 2013 and 2012

	2013	2012
Assets		
Current assets		
Cash	**$ 177,910**	$ 237,544
Prepaid expenses	**-**	45,113
Marketable securities *(note 4)*	**396,577**	801,861
	574,487	1,084,518
Mineral resources *(note 5)*	**1,781,872**	2,513,385
	$ 2,356,359	$ 3,597,903
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 7)*	**$ 1,112,144**	$ 1,022,018
	1,112,144	1,022,018
Shareholders' equity		
Share capital *(note 6)*	**13,735,345**	13,735,345
Deficit	**(12,491,130)**	(11,159,460)
	1,244,215	2,575,885
	$ 2,356,359	$ 3,597,903

Going concern *(note 1)*

Subsequent event *(note 14)*

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

Approved by the Board

Signed: ***"Benjamin Cox"***

Director

Signed: ***"Moshe Cohen"***

Director

Consolidated Statements of Changes in Equity
for the years ended March 31, 2013 and 2012
(Expressed in United States Dollars)

	Share Capital			
	Number of Shares	Amount	Deficit	Total
Balance, March 31, 2011	**7,373,953**	**$ 13,735,345**	**$ (9,935,492)**	**$ 3,799,853**
Net loss and comprehensive loss for the year	-	-	(1,223,968)	(1,223,968)
Balance, March 31, 2012	**7,373,953**	**13,735,345**	**(11,159,460)**	**2,575,885**
Net loss and comprehensive loss for the year	-	-	(1,331,670)	(1,331,670)
Balance, March 31, 2013	**7,373,953**	**$ 13,735,345**	**$ (12,491,130)**	**$ 1,244,215**

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

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States Dollars)
for the years ended March 31, 2013 and 2012

	2013	2012
Expenses		
Director fees *(note 7)*	$ 335,100	$ 300,000
Head office services *(note 7)*	72,000	72,000
Professional fees *(note 7)*	60,560	59,732
Consultants *(note 7)*	58,751	60,000
Audit fees	38,310	55,951
Travel and entertainment	30,080	57,393
General administration expenses	13,067	16,505
Foreign exchange loss	9,510	30,542
Telephone and communications	8,077	6,670
Conferences	1,750	-
Interest income	(37)	(51)
Loss from operations	(627,168)	(658,742)
Other (income) expenses		
Unrealized loss on marketable securities	985,342	770,834
Loss from sale of marketable securities	26,160	18,991
(Gain) loss on contingencies *(note 11)*	(32,000)	50,000
Gain on Buy-Out Option contributions *(note 5)*	(275,000)	(276,954)
	704,502	562,871
Loss before provision for income taxes	(1,331,670)	(1,221,613)
Provision for income taxes *(note 10)*	-	2,355
Net loss and comprehensive loss for the year	$ (1,331,670)	$ (1,223,968)
Basic and diluted net loss per share	$ (0.18)	$ (0.17)
Weighted average number of common shares outstanding - basic and diluted *(note 2)*	7,373,953	7,373,953

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

Consolidated Statements of Cash Flows
for the years ended March 31, 2013 and 2012
(Expressed in United States Dollars)

	2013	2012
Cash flow from operating activities		
Net loss and comprehensive loss for the year	**$ (1,331,670)**	$ (1,223,968)
Items not affecting cash:		
Recovery of shares previously written off	**(23,848)**	-
Unrealized loss on marketable securities	**985,342**	770,834
Loss on sale of marketable securities	**26,160**	18,991
Non-cash payment of shares	**(45,113)**	-
	(389,129)	(434,143)
Non-cash working capital items:		
Decrease (increase) in prepaid expenses	**45,113**	(45,113)
Increase (decrease) in accounts payable and accrued liabilities	**90,124**	(72,401)
	(253,892)	(551,657)
Cash flow from investing activities		
Recovery of mineral resources	**75,000**	-
Development of mineral resources	**(31,372)**	(11,345)
Proceeds from disposal of marketable securities	**150,630**	291,905
	194,258	280,560
Decrease in cash	**(59,634)**	(271,097)
Cash, beginning of year	**237,544**	508,641
Cash, end of year	**$ 177,910**	$ 237,544

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

1. Nature of the Company and Going Concern

Roche Bay PLC (the "Company") is a mineral assets holding company that owns extensive mineral interests on the Melville Peninsula in Nunavut, Canada.

The Company was incorporated in Gibraltar on February 11, 1997, (Gibraltar Registered Company No. 60527) and its principal place of business is located at Suite 2F/2, Eurolife Building, 1 Corral Road, Gibraltar.

These consolidated financial statements for the years ended March 31, 2013 and 2012, were authorized for issuance by the Board of Directors of the Company on June 17, 2013.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The Company has incurred a current period loss of $1,331,670 and has an accumulated deficit of $12,491,130 at March 31, 2013. In addition, the Company had a working capital deficiency of $(537,657) at March 31, 2013.

The above factors raise substantial doubt about the Company's ability to continue as a going concern. In order to meet future expenditures and cover administrative costs, the Company may need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These consolidated financial statements have been prepared on a going concern basis that assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The recoverability of the amounts shown for mineral resources is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in mineral resources, the ability of the Company to secure continued financial support to develop its mineral properties, and upon future profitable production.

These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to achieve profitable operations or secure continued financing. Changes in future conditions could require material write downs of the carrying values of mineral resources.

2. Significant Accounting Policies

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2. Significant Accounting Policies - continued

Basis of presentation

These consolidated financial statements have been prepared on an historical cost basis, with the exception of financial instruments classified as at fair value through profit or loss and available-for-sale which are measured at fair value.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Roche Bay East Limited and Fraser Bay PLC. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances, transactions, revenues and expenses have been eliminated.

Cash

Cash consists of deposits with financial institutions and cash held with securities brokers.

Financial instruments

With the exception of the marketable securities, all of the Company's existing financial instruments are classified as either loans and receivables or other financial liabilities both of which are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the instrument's expected life to the net carrying amount on initial recognition.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Other financial liabilities and evaluation expenditures are de-recognized when the obligations are discharged, cancelled or expired.

The carrying amount of loans and receivables and other financial liabilities approximate their fair values due to their short-term nature.

<u>Financial assets at fair value through profit or loss ("FVTPL")</u>

A financial asset is classified as FVTPL when the financial asset is held-for-trading or it is designated upon initial recognition as FVTPL. A financial asset is classified as held-for-trading if (1) it has been acquired principally for the purpose of selling or repurchasing in the near term; (2) it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (3) it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss. Transaction costs are expensed as incurred.

The Company has designated its marketable securities as FVTPL financial assets.

2. Significant Accounting Policies - continued

Financial instruments - continued

Financial Liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payables and accrued liabilities.

Financial liabilities are classified as FVTPL if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) unless they are designated as effective hedging instruments. Gains or losses on liabilities classified as FVTPL are recognized in the consolidated statements of loss and comprehensive loss.

Financial hierarchy

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: valuation techniques based on 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. derived from prices); and

Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and marketable securities are classified within level 1 of the fair value hierarchy.

Mineral resources

Mineral resources are recognized at the cost of acquiring licenses, including the costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs are capitalized once the Company has obtained the legal right to explore. Mineral resources are amortized when technical feasibility and commercial viability of the property can be demonstrated.

2. Significant Accounting Policies - continued

Asset retirement obligation

The Company's mineral exploration activities are subject to various laws and regulations governing the protection of the environment in the federal and regional jurisdictions in which it operates. The Company believes its operations are in compliance with all applicable laws and regulations. The Company expects to make, in the future, expenditures that comply with such laws and regulations but cannot predict the full amount or timing of such future expenditures. A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise.

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated non-discounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material ARO's to record in these consolidated financial statements.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amount of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. The Company has assessed all of its non-financial assets and has determined that there is no impairment.

Provisions

A provision is recognized in the statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at the pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Income taxes

Income taxes on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or subsequently enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

2. Significant Accounting Policies - continued

Income taxes - continued

The Company recognizes deferred tax on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computing taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

The Company does not currently have any potentially dilutive instruments outstanding.

Significant accounting judgments and estimates

The application of the Company's accounting policies in compliance with IFRS requires management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

As described in Note 1, the recoverability of the capitalized mineral resources are subject to significant assumptions about the future made by management at the end of the reporting period.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

Share-based payment transactions

For equity settled transactions, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case the Company measures their value by reference to the fair value of the equity instruments granted.

2. Significant Accounting Policies - continued

Foreign currency translation

The Company's mineral asset holding activities primarily operate in an economic environment where the functional currency is the United States dollar. Transactions in foreign currencies are translated to the functional currency at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the United States dollar are translated into United States dollars at the exchange rate as at the end of the reporting period. Non-monetary assets and liabilities are translated at historical exchange rates at the transaction date. Depreciation is translated at historical exchange rates at the transaction date. The calculated exchange gains and losses are included in net loss and comprehensive loss for the period.

3. Future Accounting Pronouncements

The Company has reviewed changes to accounting standards that become effective in future periods. It considers only the following to be potentially relevant in its current circumstances:

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is assessing the impact of IFRS 9 on its consolidated results of operations and financial position.

IFRS 10 - Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements ("IFRS 10") was issued by the IASB on May 12, 2011 and will replace portions of IAS 27 Consolidated and Separate Financial Statements and Interpretation SIC-12 Consolidated - Special Purpose Entities. IFRS 10 incorporates a single model for consolidating all entities that are controlled and revises the definition of control. Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and continuous reassessment as facts and circumstances change. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company does not expect IFRS 10 to have a significant impact on its consolidated results of operations and financial position.

3. Future Accounting Pronouncements - continued

IFRS 11 – Joint Arrangements

IFRS 11, Joint Arrangements ("IFRS 11") was issued by the IASB on May 12, 2011 and will replace IAS 31, Interest in Joint Ventures. The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidation will be removed and replaced with equity accounting. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company does not expect IFRS 11 to have a significant impact on its consolidated results of operations and financial position.

IFRS 12 – Disclosure of Interest in Other Entities

IFRS 12, Disclosure of Interest in Other Entities ("IFRS 12") was issued by the IASB on May 12, 2011. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company does not expect IFRS 12 to have a significant impact on its consolidated financial statements.

IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement ("IFRS 13") was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company does not expect IFRS 13 to have a significant impact on its consolidated results of operations and financial position.

IAS 1 – Presentation of Financial Statements

IAS 1, Presentation of Financial Statements ("IAS 1") amendment, issued by the IASB in June 2011, requires an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. These amendments apply only to those items presented in the Statement of Comprehensive Income, for such items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company is assessing the impact of IAS 1 on its consolidated financial statements.

(Expressed in United States Dollars)

3. Future Accounting Pronouncements - continued

IAS 28 – Investments in Associates and Joint Ventures

IAS 28, Investments in Associates and Joint Ventures prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company does not expect IAS 28 to have a significant impact on its consolidated financial statements.

4. Marketable Securities

Marketable securities consist of common shares held in Advanced Explorations Inc ("AXI") and West Melville Metals Inc. ("WMM"). During the year the Company received 1,743,374 WMM common shares under the terms of the WMM Option Agreement agreement described in (note 5). In 2010, the Company received 4,000,000 AXI common shares under the terms of a Definitive Agreement (note 5).

	March 31, 2013	March 31, 2012
AXI common shares	**1,500,787**	2,161,787
WMM common shares	**1,743,374**	-

Fair value of these marketable securities, as at:

	March 31, 2013	March 31, 2012
Common Shares	**$ 396,577**	$ 801,861

5. Mineral Resources

Eastern Project

During fiscal 2007, pursuant to the terms Option and Farm-Out Agreement (the "Option Agreement"), the Company sold the right to acquire a 50.1% interest in the Company's Roche Bay Magnetite Project on the Eastern Melville Peninsula, Nunavut Territory (the "Eastern Project"), to Advanced Explorations Inc. ("AXI"). Under the Buy-Out Option, AXI paid Roche Bay $250,000 and issued the 8,000,000 Rights which expired in 2011.

5. Mineral Resources - continued

Eastern Project - continued

During 2008, the original Buy-Out Option was amended and then replaced by a signed Memorandum of Understanding ("MOU"). During 2009 the MOU was then memorialized in a Definitive Royalty Agreement (the "Definitive Agreement") that entitled AXI to purchase up to 85% of the Eastern Project in exchange for the payment of $275,000 on December 15 of 2010, 2011 and 2012, and the issuance of either 4,000,000 common shares or 6,000,000 rights at $0.20, along with scheduled annual payments. Upon the approval of the Definitive Agreement by the TSX Venture Exchange, AXI issued the Company 4,000,000 common shares.

These rights were initially valued at $7,954,493, using a Black-Scholes valuation model, with the following inputs: expected life - 3 years; expected volatility - 75%; and risk-free interest rate - 4.63%.

As a result of the valuation assigned to the Rights, the Company recorded a recovery of the full carrying value of the Eastern Project and a gain equal to the excess of the value of the consideration received over the carrying value of the asset. As a result, although the Company still maintains a direct interest in the Eastern Project, due to the previously recorded recovery the carrying value is

$Nil for all periods presented. The payments received under the Definitive Agreement have been recorded as other income for the years ended March, 31, 2013 and 2012, and as of March 31, 2013, the Company has received all scheduled payments.

As noted above, through the amendments to the original Buy-Out Option and Definitive Agreement the Company has granted AXI two specific options to increase its equity interest in the Eastern Project up to 100%, namely the Earn-In Option and the Buy-Out Option. The Earn-In Option provided for milestones by which AXI could increase its ownership interest, up to 100%, upon a public announcement of a decision to place the Eastern Project into production. The Buy-Out Option enabled AXI to acquire 100% of Roche Bay's royalty interest in the Eastern Project, subject to a perpetual iron-ore and precious metals royalty, for certain interim payments and a final payment of $30,000,000 CDN before March 15, 2011.

The Buy-Out Option was not exercised by AXI, and on April 1, 2011, a New Buy-Out Option was agreed upon, in terms of which a one-time payment by AXI of $22,500,000 CDN on or before August 5, 2011, would give AXI 100% title to the Project subject to a reduced perpetual royalty of 3.9% for precious metals and 1.875% for all other mineral products. As the New Buy-Out Option was also not exercised by AXI, the Buy-Out option as amended on March 23, 2009 (the "Half Buy-Out Option") will remain in effect.

The Half Buy-Out Option permits AXI to purchase 50% of Roche Bay's royalty interest in the Project for $35,000,000 CDN any time prior to March 31, 2020, subject to Roche Bay retaining one-half the iron-products royalty and the entire precious metals royalty, and certain other conditions. Should AXI not take up any buy-out option, Roche Bay will have the right to receive in perpetuity, royalties on gross proceeds of mineral products, at the rate of 6% for product <90% iron weight, and 4% for product >90% iron weight, plus the full precious metals royalty of 10%.

5. Mineral Resources - continued

Eastern Project - continued

In September 2012, AXI earned an additional 25.1% interest in the Mining Property by the filing on SEDAR of a NI 43-101 Feasibility Study, bringing AXI's current ownership in the Mining Property to 75%. The Company retains a 25% ownership in the Mining Property.

The remaining 25% interest in the Mining Property may be earned by AXI upon AXI's publicly announcing its decision to put the Mining Property into production, in accordance with the terms of the Definitive Agreement.

In accordance with provisions in the Definitive Agreement regarding an "Area of Mutual Interest", AXI recorded the Company's 25% interest in 81 new claims in early 2013, including all of the Tuktu claims, which include an inferred resource of 465 million tonnes.

Western Project

During 2010, the Company did some investigative work on the Western Project which yielded encouraging results. On May 4, 2011, the Company entered into an Option Agreement with principals of the Discovery Group, a Canadian mining development group, through West Melville Mining Company Ltd ("WMM"), for the development of lease number 2826 (the "WMM Option Agreement"). According to the terms of the WMM Option Agreement, WMM can earn up to a 70% interest in the lease through the exercise of successive options subject to fulfilling certain drilling and development milestones.

The requirements to render the first option exercisable were not achieved by WMM within the contracted deadline of 10 months from the date of the agreement, or approximately March 4, 2012, and consequently the Company entered into an amendment dated December 29, 2011 that extended this deadline to 13 months, or approximately June 4, 2012.

On May 31, 2012 the Company agreed to another amendment extending the deadline of the first option to September 30, 2012 and the second option to December 31, 2015. As well, the amendment modified the terms of the consideration to be received. On October 3, 2012 the Company agreed to extend the amendment to October 31, 2012 in exchange for $75,000 CDN in cash and the share payment due on the first option was reduced by 150,000 common shares.

On October 31, 2012 WMM issued to the Company 1,563,374 common shares as part of the first option, which was 5% of WMM's issued and outstanding common shares less 150,000 common shares. To complete the first option and acquire a 30% interest in the lease, as of March 31, 2013, WMM was required to issue another 5% of their issued and outstanding common shares to the Company and incur an aggregate of $2,500,000 in exploration expenditures on or before September 30, 2013. Subsequent to March 31, 2013, the Company and WMM have agreed to another amendment to the WMM Option Agreement (note 14). As of December 31, 2012, WMM had incurred $2,148,000 in exploration expenditures. The fair value of the WMM shares received has been included as a recovery in the mineral property.

(Expressed in United States Dollars)

5. Mineral Resources - continued

The mineral resources consist of:

	March 31, 2013	March 31, 2012
Eastern Project	**$ -**	$ -
Western Project:		
Acquisition costs	**2,375,434**	2,375,434
Development costs	**89,891**	69,355
Lease payments	**79,432**	68,596
Recovery	**(762,885)**	-
	$ 1,781,872	$ 2,513,385

6. Share Capital

Authorized

10,000,000 Common shares

Issued and outstanding

	Shares	**Amount**
March 31, 2013, and 2012	**7,373,953**	**$ 13,735,345**

Shares to be issued on public listing

Should the Company be successful in obtaining a public listing on a major exchange, the CEO is entitled to receive 100,000 common shares.

(Expressed in United States Dollars)

7. Related Party Transactions and Balances

During the year ended March 31, 2013, the Company was charged $72,000 (2012 - $72,000) in fees for administrative services provided by a significant shareholder. As at March 31, 2013, accounts payable and accrued liabilities included $231,874 owing to this shareholder (2012 - $162,128).

The Company has retained Iris Cox, the wife of CEO Benjamin Cox, as in-house legal counsel on a flat rate fee of $4,500 per quarter. For the year ended March 31, 2013, $18,000 (2012 - $18,000) is included in professional fees. As at March 31, 2013, there is $30,000 (2012 - $45,000) included in accounts payable and accrued liabilities related to these services.

Due to directors

	March 31, 2013	March 31, 2012
Due to directors	**$ 697,525**	$ 640,683

Amounts due to Directors are included in accounts payable and accrued liabilities and arise from fees for which the payment has been deferred indefinitely. These balances are non-interest bearing with no fixed terms of repayment. Included in these balances are accounts payable to Benjamin Cox & Associates for the services of Benjamin Cox (CEO) and accounts payable to Moshe Cohen (CFO). The accounts payable for the services of Benjamin Cox and Moshe Cohen are described below under the heading Key Management Compensation.

Also included in accounts payable and accrued liabilities are amounts owing to former directors of the Company in the amount of $22,451 as at March 31, 2013 (2012 - $22,451).

During the year ended March 31, 2013, the Company was charged $335,100 (2012 - $300,000) in Directors fees. Included in this amount are fees charged by Benjamin Cox & Associates for the services of Benjamin Cox (CEO) and fees charged by Moshe Cohen (CFO). The fees for the services of Benjamin Cox and Moshe Cohen are described below under the heading Key Management Compensation.

Key Management Compensation

During 2011, the Company entered into an agreement with Oren Inc., a company majority owned by Benjamin Cox. Under the terms of this agreement, Benjamin Cox will provide services as Chief Executive Officer commencing June 2010. Prior to June 2010, services provided by Benjamin Cox were provided through Benjamin Cox and Associates LLC. Effective March 1, 2012, new agreements were entered into with Benjamin Cox and Associates LLC and Oren Inc, the former for services provided by Benjamin Cox, and the latter for support services provided by staff of Oren Inc. During the year ended March 31, 2013, the Company was charged $215,100 (2012 - $180,000) for these services and $58,751 (2012 - $60,000) for additional consulting services by other staff from these companies. As at March 31, 2013, there is $339 (2012 - $Nil) owing to Oren Inc. included in accounts payable and accrued liabilities.

During the year ended March 31, 2013, the CFO of the Company, Moshe Cohen, earned executive director fees of $48,000 (2012 - $48,000), which are included in directors fees on the consolidated statements of loss and comprehensive loss.

Included in accounts payable and accrued liabilities at March 31, 2013, is $211,593 (2012 - $218,269) due to the CEO and $61,810 (2012 - $61,810) due to the CFO.

8. Management of Capital

The Company considers its capital structure to consist of shareholders' equity. The Company's objective in managing capital is to maintain adequate levels of funding to support organizational functions and obtain sufficient funding to further the identification and development of precious metals deposits. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic and economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years ended March 31, 2013 and 2012. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

9. Financial Instruments and Risk Management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk and commodity and price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the consolidated statement of financial position date under its financial instruments is summarized as follows:

The majority of the Company's cash is held with major financial institutions in Canada, and management believes the exposure to credit risk with such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are its cash held in trust by securities brokers. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash is held and the securities brokers they use. The Company's maximum exposure to credit risk as at March 31, 2013, is the carrying value of its financial assets.

9. Financial Instruments and Risk Management - continued

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 8, in normal circumstances. Due to the lack of liquidity and anticipated working capital requirements within the next twelve months, management has increased its focus on liquidity risk given the impact of the current economic climate on the availability of financing.

Interest rate risk

The Company has no significant exposure at March 31, 2013, to interest rate risk through its financial instruments.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Commodity price risk is remote since the Company is not a producing entity. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

The Company is exposed to equity price risk on its marketable securities and a 1% change in the price of those underlying securities would result in a gain or loss of $3,966.

Currency risk

The Company's currency risk arises primarily with fluctuations in the U.S and Canadian dollars. A 1% change in the exchange rate with the Canadian dollar would result in a foreign exchange gain or loss of approximately $1,735 based on the cash balances held in Canadian dollar as of March 31, 2013.

(Expressed in United States Dollars)

10. Income Taxes

(a) Provision for Income Taxes

The following table shows the components of the current and deferred income tax expense:

	2013	2012
Current tax expense	$ -	$ 2,355
Deferred tax expense	-	-
Total income tax expense	$ -	$ 2,355

The following table reconciles the expected income tax recovery at the statutory rate of 10.00% for 2013 and 2012 in Gibraltar to the amount recognized in the consolidated statements of loss and comprehensive loss:

	2013	2012
Loss before provision for income taxes	$ (1,331,670)	$ (1,221,613)
Expected income tax recovery	$ (133,170)	$ (122,600)
Non-deductible differences	91,080	175,200
Earning in foreign jurisdictions subject to different tax rates	(59,210)	137,645
Changes in tax benefits not recognized	101,300	(187,890)
Income tax expense reflected in the consolidated statements of loss and comprehensive loss	$ -	$ 2,355

(b) Deferred Income Taxes

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

Deferred income tax assets have not been recognized in respect of the following items:

	March 31, 2013	March 31, 2012
Deferred income tax assets		
Non-capital losses - Canada	$ 1,149,560	$ 1,030,800
Deductible temporary differences	23,040	2,200

The non-capital losses expire between 2030 and 2033. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

11. Contingencies

From time to time, in the normal course of business, the Company may be involved in litigation and claims. As at March 31, 2012, the Company had accrued $50,000 for the potential costs of ongoing litigation, which is included in accounts payable and accrued liabilities. As at March 31, 2013, there is $18,000 included in accounts payable and accrued liabilities with respect to these costs. The amount accrued at March 31, 2013, is based on a settlement that the Company reached in December 2012, with respect to one specific claim, to transfer 200,000 AXI common shares to the plaintiff. The Company had not yet transferred these shares at March 31, 2013.

12. Segmented Information

The Company's operations mainly comprise of a single significant reporting operating segment engaged in mineral asset holdings in Canada. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements for the year also represent segment amounts. All of the Company's assets are located in Canada, with the exception of one bank account that is held in the United Kingdom, which as of March 31, 2013 held $62,382 CDN (2012 - $10,630 CDN).

13. Comparative Figures

Certain prior year balances have been reclassified to conform to the current presentation. There has been no change to prior year losses or adjustments to retained earnings as a result of these reclassifications.

14. Subsequent Event

On May 31, 2013, the Company and WMM in agreed to another amendment to the WMM Option Agreement, extending the deadline of the first option to December 1, 2014 and the second option to April 15, 2017. Expenditures and work requirements remained the same.