Roche Bay PLC

Consolidated Financial Statements

March 31, 2012, 2011 and 2010

(Expressed in United States Dollars)

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March 31, 2012, 2011 and 2010

Independent Auditors' 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, 2012, 2011 and 2010 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2012, 2011 and 2010, 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.

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 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, 2012, 2011 and 2010 and its financial performance and its cash flows for the years ended March 31, 2012, 2011 and 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to the fact that the consolidated financial statements have been prepared on a going concern basis. This basis may not be appropriate because its validity depends principally on the discovery of economically viable mineral deposits, obtaining the necessary mining licenses, and the availability of subsequent funding to extract the resource or, alternatively, the availability of funding to extend the Company's exploration activities. The consolidated financial statements do not include any adjustments that would arise from a failure to complete either option. Details of the circumstances relating to this fundamental uncertainty is described in Note 1 of the consolidated financial statements.

Signed: ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
June 22, 2012

Consolidated Statements of Financial Position
(Expressed in United States Dollars)

	March 31, 2012	March 31, 2011	March 31, 2010
Assets			
Current assets			
Cash	**$ 237,544**	$ 508,641	$ 139,963
Prepaid expenses	**45,113**	-	4,924
Marketable securities *(note 4)*	**801,861**	1,883,591	737,472
	1,084,518	2,392,232	882,359
Mineral resources *(note 5)*	**2,513,385**	2,502,040	2,422,290
	$ 3,597,903	$ 4,894,272	$ 3,304,649
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities *(note 7)*	**$ 1,022,018**	$ 1,094,419	$ 850,762
	1,022,018	1,094,419	850,762
Shareholders' equity			
Share capital *(note 6)*	**13,735,345**	13,735,345	13,735,345
Deficit	**(11,159,460)**	(9,935,492)	(11,281,458)
	2,575,885	3,799,853	2,453,887
	$ 3,597,903	$ 4,894,272	$ 3,304,649

Going concern *(note 1)*

Subsequent event *(note 13)*

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, 2012, 2011 and 2010
(Expressed in United States Dollars)

	Share Capital			
	Number of Shares	**Amount**	**Deficit**	**Total**
Balance, March 31, 2009	**7,348,273**	**$ 13,713,891**	**$ (12,010,893)**	**$ 1,702,998**
Shares issued during the year	25,680	21,454	-	21,454
Net income and comprehensive income for the year	-	-	729,435	729,435
Balance, March 31, 2010	**7,373,953**	**13,735,345**	**(11,281,458)**	**2,453,887**
Net income and comprehensive income for the year	-	-	1,345,966	1,345,966
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**

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

Consolidated Statements of Comprehensive Income
(Expressed in United States Dollars)

	March 31, 2012	March 31, 2011	March 31, 2010
Expenses			
Director fees	**$ 300,000**	$ 265,500	$ 196,700
Head office services	**72,000**	72,000	72,000
General administrative expenses	**66,505**	13,675	7,288
Consultants	**60,000**	71,250	2,000
Professional fees	**59,732**	27,214	41,648
Travel and entertainment	**57,393**	37,824	3,782
Audit fees	**55,951**	17,651	19,562
Foreign exchange loss (gain)	**30,542**	(41,090)	(67,480)
Telephone and communications	**6,670**	6,169	9,167
Rent	**-**	2,333	14,000
Conferences	**-**	1,799	-
Interest (income) expense	**(51)**	2,664	5,199
	708,742	476,989	303,866
Loss from operations	**(708,742)**	(476,989)	(303,866)
Other (income) expenses			
Loss (gain) from sale of marketable securities	**630,182**	(219,938)	156,795
Unrealized loss (gain) on marketable securities	**159,643**	(1,345,367)	(191,521)
Gain on Buy-Out Option contributions *(note 5)*	**(276,954)**	(270,490)	(840,269)
Gain on ratchet liability *(note 6(i))*	-	-	(158,306)
	512,871	(1,835,795)	(1,033,301)
(Loss) income before provision for income taxes	**(1,221,613)**	1,358,806	729,435
Provision for income taxes (*note 10*)	**2,355**	12,840	-
Net and comprehensive (loss) income for the year	**$ (1,223,968)**	$ 1,345,966	$ 729,435
Basic and diluted net (loss) income per share	**$ (0.17)**	$ 0.18	$ 0.10
Weighted average number of common shares outstanding - basic and diluted *(note 2)*	**7,373,953**	7,373,953	7,361,113

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

Consolidated Statements of Cash Flows
for the years ended March 31, 2012, 2011 and 2010
(Expressed in United States Dollars)

	March 31, 2012	March 31, 2011	March 31, 2010
Cash flow from operating activities			
Net and comprehensive (loss) income for the year	**$ (1,223,968)**	$ 1,345,966	$ 729,435
Items not affecting cash:			
Gain on ratchet liability *(note 6(i))*	-	-	(158,306)
Unrealized loss (gain) on marketable securities	**159,643**	(1,345,367)	(191,521)
Loss (gain) on sale of marketable securities	**630,182**	(219,938)	156,795
Shares issued for services	**-**	-	179,760
	(434,143)	(219,339)	716,163
Non-cash working capital items:			
Prepaid expenses	**(45,113)**	4,924	(4,924)
Accounts payable and accrued liabilities	**(72,401)**	243,658	15,208
	(551,657)	29,243	726,447
Cash flow from investing activities			
Due from shareholder	**-**	-	53,872
Development of mineral resources	**(11,345)**	(79,751)	(10,192)
Proceeds from disposal of marketable securities	**291,905**	419,186	31,922
Marketable securities acquired	**-**	-	(508,000)
	280,560	339,435	(432,398)
Cash flow from financing activity			
Ratchet liability	**-**	-	(158,760)
(Decrease) increase in cash	**(271,097)**	368,678	135,289
Cash, beginning of year	**508,641**	139,963	4,674
Cash, end of year	**$ 237,544**	$ 508,641	$ 139,963

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 No. 60527) and the 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, 2012 , 2011 and 2010 were authorized for issuance by the Board of Directors of the Company on June 22, 2012.

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 $1,223,968 and has an accumulated deficit of $11,159,460 at March 31, 2012. In addition, the Company had a working capital deficiency of $62,500 at March 31, 2012.

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 a 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 and results from the cash flows generated by the trading of the Company's marketable securities.

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 are classified as financial liabilities as FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

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 statement of loss and comprehensive loss.

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.

Asset retirement obligation

The Company's mining 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 undiscounted 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.

2. Significant Accounting Policies - continued

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.

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.

2. Significant Accounting Policies - continued

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 judgements 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.

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 (effective January 1, 2015)

The standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39, regarding derecognition of financial assets and financial liabilities.

IFRS 13, Fair Value Measurement (effective January 1, 2013)

The main provisions for this standard include defining fair value, setting out in a single standard a framework for measuring fair value and specifying certain disclosure requirements about fair value measurements.

(Expressed in United States Dollars)

4. Marketable Securities

As discussed in Note 5, during 2007, the Company received 8,000,000 rights (the "Rights"), pursuant to the terms of a Buy-Out Option with Advanced Exploration Inc. ("AXI"), at an exercise price of $0.35 exercisable for a term of 3 years. Further, during 2010, the Company received 4,000,000 common shares under the terms of a Definitive Agreement with AXI, see Note 5.

	March 31, 2012	March 31, 2011	March 31, 2010
Rights:			
Opening balance	**(6,792,297)**	(300,000)	-
Exercised	**-**	-	(300,000)
Expired	**-**	(6,492,297)	-
	(6,792,297)	(6,792,297)	(300,000)
Common shares	**2,161,787**	2,614,287	4,040,000

The rights were remeasured at fair value at each reporting period using Black-Scholes valuation models, with the following inputs and resulting fair value, as at:

	March 31, 2012	March 31, 2011	March 31, 2010
Risk-free interest rate	**- %**	1.77 %	1.63 %
Expected life in years	**-**	-	0.25
Expected volatility	**- %**	105 %	105 %
Market price	**$ -**	$ 0.70	$ 0.18

Fair value of marketable securities, as at:

	March 31, 2012	March 31, 2011	March 31, 2010
Rights	**$ -**	$ -	$ 41,274
Common Shares	**801,861**	1,883,591	696,198
	$ 801,861	$ 1,883,591	$ 737,472

5. Mining Resources

Eastern Project

During fiscal 2007, pursuant to the terms of a Buy-Out Option, 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 (see Note 4).

During 2008, the original Buy-Out Option was amended and then replaced by a signed Memorandum of Understanding ("MOU"). During 2010 the MOU was then memorialized in a Definitive Agreement that entitled AXI to purchase up to 85% of the Eastern Project in exchange for the payment of $275,000 in each of 2010, 2011 and 2012 and the issuance of either 4,000,000 common shares or 6,000,000 rights at $0.20. 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 ownership of 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, 2012, 2011 and 2010.

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 to 100%, 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 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 C$30,000,000 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 C$22,500,000 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.

(Expressed in United States Dollars)

5. Mining Resources - continued

Eastern Project - continued

The Half Buy-Out Option permits AXI to purchase 50% of Roche Bay's royalty interest in the Project for C$35,000,000 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%.

Under this Definitive Agreement, AXI currently owns 49.9% of the Mining Property. The remaining 50.1% interest in the Mining Property will be earned by AXI as follows: (i) upon filing on SEDAR a compliant NI 43-101 Feasibility Study, AXI will earn an additional 25.1%, and (ii) upon publicly announcing its decision for production of the Mining Property, AXI will earn the remaining 25% interest in the Mining Property.

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 agreement with principals of the Discovery Group, a Canadian mining development group, through West Melville Mining Company Ltd. for the development of lease number 2826. In terms of this agreement West Melville can earn up to a 70% interest in this 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 West Melville 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. As described in Note 13, the Company subsequently agreed to another amendment extending the deadline to December 31, 2012, all other deadlines under the options were also extended for an additional year.

The mining resources consist of:

	March 31, 2012	March 31, 2011	March 31, 2010
Eastern Project	**$ -**	$ -	$ -
Western Project:			
Acquisition costs	**2,375,434**	2,375,434	2,375,434
Development costs	**69,355**	69,065	-
Lease payments	**68,596**	57,541	46,856
	$ 2,513,385	$ 2,502,040	$ 2,422,290

(Expressed in United States Dollars)

6. Share Capital

Authorized

10,000,000 Common shares

Issued and outstanding

	Shares	Amount
April 1, 2009	**7,348,273**	**$ 13,713,891**
Ratchet shares issued *(i)*	22,680	454
Shares issued for services *(ii)*	3,000	21,000
March 31, 2010, 2011 and 2012	**7,373,953**	**$ 13,735,345**

(i) Ratchet shares relate to private placement subscriptions with two investors relating to a 2006 private placement. These agreements specified a Ratchet Fee (the "Ratchet") that became effective if the Company was unable to obtain a public listing on a major stock exchange by July 31, 2007. The agreements with these two investors called for an aggregate of 4,670 shares (the "Ratchet shares") to be issued each month after July 31, 2007 that the Company had not yet secured such a listing, for a period of 18 months, ending on January 31, 2009. At the time of the agreement, and the date of the initial measurement of the private placement, the Company assessed a 0% probability to being required to issue the Ratchet shares and accordingly no liability to issue any further shares. However, during 2007, it became apparent that the Company would not be able to secure such a listing and that there was a 100% probability of the Ratchet shares being issued and accordingly, a liability was recognized (the "Ratchet liability") equal to full commitment under the Ratchet of 84,060 shares at the quoted market price of the shares. The Ratchet liability was then adjusted to fair value at each reporting period for the remaining unissued shares required under the Ratchet. At March 31, 2009, there remained 22,680 shares to be issued under the terms of the Ratchet, resulting in a Ratchet liability of $158,760. During 2010 these remaining shares were issued and as a result the Ratchet liability was derecognized and a gain on Ratchet liability of $158,306 was recognized in the consolidated statement of comprehensive income for the year ended March 31, 2010.

(ii) Shares issued for services that were payable in either cash or shares, these shares were issued to the Company's CFO.

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

During the year ended March 31, 2012 , the Company was charged $72,000 (2011 - 72,000; 2010 - 72,000) in fees for administrative services provided by a significant shareholder. As at March 31, 2012 , accounts payable and accrued liabilities included $162,128 owing to this shareholder (2011 - $90,128; 2010 - $18,128).

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, 2012 , $18,000 (2011 - $18,000; 2010 - $18,000) is included in professional fees. As at March 31, 2012 , there is $45,000 (2011 - $48,000; 2010 - $30,000) included in accounts payable and accrued liabilities related to these services.

Due to directors

	March 31, 2012	March 31, 2011	March 31, 2010
Due to directors	**$ 640,683**	$ 664,360	$ 463,898

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.

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, 2012 (2011 - $22,451; 2010 - $80,221). During 2010, the Company reached a settlement with one former director who was owed $71,800 at March 31, 2009. Under the terms of the settlement on payment of $14,250 the Company will no longer have any accounts payable to the former director and the former director will no longer have any claims against the Company. The Company paid the settlement amount in December 2009. During the years ended March 31, 2012, 2011 and 2010, the Company did not have any transactions with any of these directors as they had all resigned prior to April 1, 2009, with the exception of one who resigned April 20, 2009 and thus was not entitled to any further directors fees within the fiscal year ended March 31, 2010.

7. Related Party Transactions - continued

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. During the year ended March 31, 2012 , the Company was charged $180,000 (2011 - $130,000; 2010 - $120,000) for these services and $60,000 (2011 - $71,250; 2010 - $Nil) for additional consulting services by other staff from these companies. As at March 31, 2012 , there is $Nil (2011 - $74,059; 2010 - $Nil) owing to Oren Inc. included in accounts payable and accrued liabilities. As at March 31, 2012 , there is $Nil (2011 - $147,280; 2010 - $207,582) owing to Benjamin Cox and Associates LLC included in accounts payable and accrued liabilities.

During the year ended March 31, 2012 , the CFO of the Company, Moshe Cohen, earned executive director fees of $48,000 (2011 - $43,500; 2010 - $42,000), which are included in directors fees on the statements of comprehensive income.

Additionally, during 2010, as detailed in Note 6(ii), the CFO received 3,000 shares during 2010; however, under this same compensation arrangement there is an accrual for 3,000 shares related to the 2009 year end that are included in the due to directors balance.

Included in accounts payable and accrued liabilities at March 31, 2012 , is $218,269 (2011 - $309,445; 2010 - $154,983) due to the CEO and $61,810 (2011 - $63,511; 2010 - $83,513) 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, 2012, 2011 and 2010. 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 interest rate, foreign currency risk and commodity and equity 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:

Substantially all 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 restricted cash as these are 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, 2012, is the carrying value of its financial assets.

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 finance. Further information regarding liquidity risk is set out in Note 8.

- Interest rate risk

  The Company has no significant exposure at March 31, 2012, 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.

- Currency risk

  The Company’s currency risk arises primarily with fluctuations in the U.S and Canadian dollars.

(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::

	2012	2011	2010
Current tax expense	**$ 2,355**	$ 12,840	$ -
Deferred tax expense	**-**	-	-
Total income tax (recovery) expense	**$ 2,355**	$ 12,840	$ -

The following table reconciles the expected income tax recovery at the statutory rate of 10.00% for 2012, 2011 and 2010 in Gibraltar to the amount recognized in the statement of comprehensive loss:

	2012	2011	2010
(Loss) income before provision for income taxes	**$ (1,221,613)**	$ 1,358,806	$ 729,435
Expected income tax recovery	**122,600**	135,900	72,900
Non-deductible differences	**(175,200)**	(305,700)	(139,700)
Earning in foreign jurisdictions subject to different tax rates	**(137,645)**	180,040	(9,800)
Recognition and reversal of deductible temporary differences	**192,600**	2,600	76,600
Income tax expense reflected in the statement comprehensive loss	**$ 2,355**	$ 12,840	$ -

(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.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2012	2011	2010
Deferred tax assets			
Non-capital losses	**$ 10,100**	$ 42,700	$ 12,000
Deferred tax liabilities			
Marketable Securities	**(10,100)**	(42,700)	(12,000)
Deferred tax assets - net	**$ -**	$ -	$ -

(Expressed in United States Dollars)

10. Income Taxes - continued

(c) Unrecognized Deferred Income Taxes

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

	March 31, 2012	March 31, 2011	March 31, 2010
Deferred income tax assets			
Non-capital losses - Canada	**$ 1,030,800**	$ 193,700	$ 280,500
Deductible temporary differences	**2,200**	2,200	2,200

The non-capital losses expire between 2030 and 2032. 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

At March 31, 2012, the Company was involved in litigation and claims, which arise from time to time in normal course of business. In the opinion of management, any liability that may arise from such contingencies would not be material or have a significant adverse effect on the consolidated financial statements of the Company.

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.

13. Subsequent Event

On May 31, 2012, the Company agreed to an amendment of the option on the Western Project, West Melville Mining Company Ltd., that extended the deadline for them to complete an initial public offering or reverse takeover transaction, a condition necessary to validate the first option under the agreement, to December 31, 2012.