REDSTAR GOLD CORP.
(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

For the period ending December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Condensed Consolidated Interim Balance Sheets
(Unaudited – Expressed in Canadian Dollars)

	Notes	**December 31, 2011**	**March 31, 2011 (Note 16)**
ASSETS			
Current assets			
Cash and cash equivalents		$ 900,740	$ 77,946
Marketable securities	6	100,002	141,000
Accounts receivable		120,443	61,882
Prepaid expenses and advances		190,147	42,157
		1,311,332	322,985
Non-current assets			
Deposit		7,428	7,428
Mineral property interests	7	5,295,478	2,292,903
Property and equipment, net	8	41,645	44,116
		5,344,551	2,344,447
TOTAL ASSETS		**$ 6,655,883**	**$ 2,667,432**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 373,185	$ 17,751
Due to related parties	11	176,017	392,629
		549,202	410,380
SHAREHOLDERS' EQUITY			
Capital Stock	10	16,450,460	11,697,716
Contributed Surplus		1,607,142	1,300,448
Warrants		42,781	0
Accumulated Other Comprehensive Income		(31,500)	45,499
Deficit		(11,962,202)	(10,786,611)
TOTAL EQUITY		6,106,681	2,257,052
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 6,655,883**	**$ 2,667,432**

Nature of Operations and Going Concern (note 1)
Commitments (note 15)
Subsequent Events (note 17)

Approved on behalf of the Board:

"Scott Weekes"
Scott Weekes, Director
REDSTAR GOLD CORP.

"Douglas Fulcher"
Doug Fulcher, Director

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

(An Exploration Stage Company)
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited – Expressed in Canadian Dollars)

	Notes	Three months ended December 31, 2011	Three months ended December 31, 2010 (Note 16)	Nine months ended December 31, 2011	Nine months ended December 31, 2010 (Note 16)
Expenses					
Contract wages	11(a)&(c)	$ 89,028	$ 102,168	$ 262,684	$ 270,616
Travel and promotion	11(a)	73,461	15,163	212,611	109,969
Investor relations	11(a)	52,640	480	107,520	70,440
Share-based payments	10	32,698	129,533	333,807	166,227
Rent	11(a)	21,503	20,114	69,286	63,662
Office and miscellaneous	11(a)	12,286	10,101	32,736	31,536
Insurance		8,824	7,703	25,617	28,448
Professional fees		14,946	0	91,102	35,269
Consulting	11(c)	27,800	5,300	59,400	15,900
Telephone	11(a)	2,288	2,242	7,665	6,061
Regulatory fees		1,173	(1,939)	20,700	4,269
Transfer agent fees		2,422	1,845	6,348	4,564
Interest and financing		0	0	2,126	0
Amortization		3,968	4,506	10,860	13,519
		343,037	297,216	1,242,462	820,480
Other Expenses (Income)					
Loss (gain) on foreign exchange		(53,312)	1,048	(55,604)	1,975
General exploration expenses		0	(6,350)	3,250	23,717
Gain on sale of marketable securities	6	0	(108,618)	(16,064)	(393,790)
Interest income		(4,803)	(17)	(9,453)	(22)
		(58,115)	(113,937)	(77,871)	(368,120)
Loss Before Income Tax		284,922	183,279	1,164,591	452,360
Future income tax recovery		2,875	8,425	11,000	25,381
Net Loss for the Period		**287,797**	**191,704**	**1,175,591**	**477,741**
Other Comprehensive Income					
Unrealized loss (gain) on available-for-sale securities		20,125	58,974	31,500	177,669
Comprehensive Loss for the Period		**$ 307,922**	**$ 250,678**	**$ 1,207,091**	**$ 655,410**
Basic Loss per Share		**$ 0.01**	**$ 0.01**	**$ 0.02**	**$ 0.01**
Weighted Average Number of Common Shares Outstanding		**66,877,712**	**52,550,569**	**61,680,909**	**52,412,668**

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

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Condensed Consolidated Interim Changes in Shareholders' Equity
(Unaudited – Expressed in Canadian Dollars)

	Notes	Share capital Number of Shares	Share capital Amount	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, April 1, 2010	16	52,343,341	$ 11,476,909	0	$ 1,145,976	$ (10,000,499)	$ 182,700	$ 2,805,086
Net loss for the nine months	16	0	0	0	0	(477,741)	0	(477,741)
Shares issued for cash								
Exercise of stock options		615,000	110,700	0	0	0	0	110,700
Unrealized loss on available-for-sale securities, net of future income taxes of $719		0	0	0	0	0	(177,669)	(177,669)
Fair value of stock options exercised		0	76,568	0	(76,568)	0	0	0
Share-based payments expense	10(d)&16	0	0	0	179,743	0	0	179,743
Balance, December 31, 2010		52,958,341	$ 11,664,177	0	$ 1,249,151	$ (10,478,240)	$ 5,031	$ 2,440,119
Balance, March 31, 2011		53,033,341	$ 11,697,716	0	$ 1,300,448	$ (10,786,611)	$ 45,499	$ 2,257,052
Net loss for the nine months		0	0	0	0	(1,175,591)	0	(1,175,591)
Shares issued for cash								
Private Placement, net of share issue costs	10	12,917,999	4,239,912	0	0	0	0	4,239,912
Exercise of stock options		190,000	28,500	0	0	0	0	28,500
Unrealized loss on available-for-sale securities, net of future income taxes of $(4,500)		0	0	0	0	0	(76,999)	(76,999)
Common shares issued for mineral property interests		1,132,875	500,000	0	0	0	0	500,000
Fair value of warrants issued to agents	10(b)	0	(42,781)	42,781	0	0	0	0
Fair value of stock options exercised		0	27,113	0	(27,113)	0	0	0
Share-based payments expense	10(d)	0	0	0	333,807	0	0	333,807
Balance, December 31, 2011		**67,274,215**	**$ 16,450,460**	**$ 42,781**	**$ 1,607,142**	**$ (11,962,202)**	**$ (31,500)**	**$ 6,106,681**

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

REDSTAR GOLD CORP.
(An Exploration Stage Company)
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Expressed in Canadian Dollars)

	Notes	Nine months ended December 31, 2011	Nine months ended December 31, 2010 (Note 16)
Operating activities			
Net loss		$ (1,175,591)	$ (477,741)
Items not involving cash			
Amortization		10,860	13,519
Share-based payments		333,807	166,227
Mineral property interests written-off		3,250	23,717
Gain on sale of marketable securities		(16,064)	(393,790)
Future income tax (recovery)		11,000	25,381
		(832,738)	(642 ,685)
Changes in non-cash working capital			
Accounts receivable		(58,561)	(140,417)
Prepaid expenses and advances		(147,990)	(3,287)
Accounts payable and accrued liabilities		355,434	(53,732)
Due to related parties		(216,612)	42,631
		(67,729)	(154,805)
Net cash flows from (used in) operating activities		(900,467)	(797,490)
Investing activities			
Expenditures on mineral property interests		(7,394,945)	(1,332,438)
Recoveries on mineral property interests		5,710,046	1,072,550
Acquisition of mineral property interests, net		(867,928)	(8,044)
Acquisition of property and equipment		(8,389)	(1,690)
Proceeds from sale of marketable securities		16,065	998,590
Net cash flows from (used in) investing activities		(2,545,151)	728,968
Financing activity			
Issuance of capital stock for cash, net of share issue costs	10	4,268,412	110,700
		4,268,412	110,700
Increase (decrease) in cash and cash equivalents		822,794	42,178
Cash and cash equivalents, beginning of period		77,946	97,562
Cash and cash equivalents, end of period		**$ 900,740**	**$ 139,740**

Supplemental Disclosure with Respect to Cash Flows (note 14)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Redstar Gold Corp. (the "Company") is an exploration stage company engaged principally in the acquisition, exploration and development of mineral property interests. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource assets is dependent upon its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. In order to continue developing the Company's mineral properties, management is actively pursuing such additional sources of financing.

These interim condensed consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred significant operating losses over the past several fiscal years. For the period ending December 31, 2011, the Company has working capital of $762,130 (March 31, 2011 – working capital deficit of $87,395), an accumulated deficit of $11,962,202 (March 31, 2011 - $10,786,611), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral property interests.

These condensed consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION AND FIRST TIME ADOPTION OF IFRS

Transition to International Financial Reporting Standards ("IFRS")

The Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS as issued by the International Accounting Standards Board, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis with the condensed interim financial statements for the three months ended June 30, 2011. In these condensed consolidated interim financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") and IFRS 1,*First-Time Adoption of IFRS* ("IFRS 1"). Subject to certain transition elections disclosed in note 16, we have consistently applied the same accounting policies in our opening IFRS balance sheet as at April 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 16 discloses the impact of the transition to IFRS on our reported balance sheet, comprehensive income, changes in equity and cash flows, including the nature and effect of significant changes in accounting policies from those used in our financial statements for the year ended March 31, 2011.

The policies applied in these condensed consolidated interim financial statements are presented in note 3 and are based on IFRS issued and outstanding as of February 28, 2012, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in our annual financial statements for the year ending March 31, 2012 could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, do not include all the information required for full annual financial statements, and should be read in conjunction with our Canadian GAAP consolidated annual financial statements for the year ended March 31, 2011. Refer to note 16 for disclosure of IFRS information for the period ended December 31, 2010 that is material to the understanding of these condensed consolidated interim financial statements.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include:

- the collectability of amounts receivable;
- balances of accrued liabilities;
- the fair value of financial instruments;
- determination of asset retirement and environmental obligations;
- the utilization of future income tax assets; and
- the determination of the variables used in the calculation of share-based payments

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of comprehensive income and cash flows.

The condensed consolidated interim financial statements were prepared on a historical cost basis except for financial instruments, which are classified as available-for-sale.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting (*"IAS34") and IFRS 1, *First-Time Adoption of IFRS (*"IFRS 1") and reflect the following significant accounting policies.

(a) Principles of Consolidation

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Redstar Gold USA Inc. and Redstar Gold (Alaska) Inc. All intercompany balances and transactions have been eliminated.

(b) Mineral property interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. Costs accumulated relating to projects that are abandoned are written-off in the period in which a decision to discontinue the project is made, or an impairment has occurred.

All deferred mineral property expenditures are reviewed quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until the payments are made or received. Proceeds received on the sale or option of the Company's property interest are recorded as a reduction of the mineral property carrying cost. When proceeds received in respect of a property exceed its carrying cost, such excess is recognized in the statements of operations.

(c) Property and equipment

Property and equipment are recorded at cost and are amortized using the declining-balance method at an annual rate of 20% for office equipment, 30% for computer equipment and 30% for automobiles. Leasehold improvements are amortized on a straight-line basis over the term of the lease. Additions during the year are amortized at one-half the annual rates.

(d) Non-monetary transactions

Shares issued for consideration other than cash are valued at the fair value of assets received or services rendered, or the quoted market price at the date of issuance, whichever is the more reliable measure.

(e) Earnings (loss) per share

Earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

(f) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows: monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates; and revenues and expenses and exploration expenditures, at the exchange rate prevailing at the transaction date, except for amortization, which is translated at the historical rate. Gains and losses arising from this translation of foreign currency are included in operations.

(g) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses during the reporting period. Significant areas requiring the use of estimates include the rates of amortization for property and equipment, fair value of financial instruments, recoverability of mineral property interests, balances of accrued liabilities, determination of asset retirement and environmental obligations, the assumptions used in the determination of the fair value of stock-based compensation and the determination of the valuation allowance for future income tax assets. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(h) Asset retirement obligations (“ARO”)

The Company recognizes an estimate of the liability associated with an ARO in the consolidated 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 also 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 AROs to record in the consolidated financial statements.

(i) Share-based payments

The Company accounts for share-based payments using a fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral property interests, with the offset credit to contributed surplus. For directors and employees the fair value is recognized over the vesting period, and for non-employees the fair value is recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

(j) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(k) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized in comprehensive income, and there is objective evidence that the impairment is other than temporary, the cumulative loss that had been previously recognized in accumulated other comprehensive income is removed from accumulated other comprehensive income and recognized in net income even though the financial asset has not been de-recognized.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

The fair value of all marketable securities is determined by quoted market prices.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

These disclosures are not required when the carrying amount is a reasonable approximation of the fair value.

(l) Future accounting changes

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board announced that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The IFRS standards will be effective for the Company for interim and annual financial statements relating to the Company's fiscal year commencing April 1, 2011. The effective date required the restatement for comparative purposes of amounts reported by the Company for interim periods and for the year ended March 31, 2011. Certain new accounting standards and interpretations have been published that will be required to be applied for accounting periods beginning on or after January 1, 2013. The Company has not yet assessed the impact of the standards or determined whether it will adopt the standards early.

(ii) Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

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Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to the Company's interim and annual consolidated financial statements relating to fiscal years beginning on or after April 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

4. FINANCIAL INSTRUMENTS

The Company has classified its cash as held-for-trading; marketable securities as available-for-sale; deposit as held-to-maturity; and accounts payable and accrued liabilities and due to related parties as other financial liabilities.

(a) Fair value

The carrying values of cash, marketable securities, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of the deposit approximates its fair value. The fair values of amounts due to related parties have not been disclosed as their fair values cannot be reliably measured since there are no quoted market prices for such instruments.

The Company's financial instruments measured at fair value by level within the fair value hierarchy as at December 31, 2011 and March 31, 2011are as follows:

December 31, 2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Available-for-sale marketable securities	$100,002	$ 0	$ 0	$100,002

March 31, 2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Available-for-sale marketable securities	$141,000	$ 0	$ 0	$141,000

(b) Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents. The credit risk associated with cash is minimal as cash has been placed with a major Canadian financial institution.

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a single major Canadian financial institution and a single major US financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

		December 31, 2011		March 31, 2011
Cash in bank	$	70,740	$	77,946
Guaranteed investment certificates		830,000		0
	$	900,740	$	77,946

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2011, the cash balance of $900,740 (March 31, 2011 - $77,946) is sufficient to meet the business requirements for the coming year. If required, the Company will sell its marketable securities, raise additional capital or sell one or more mineral property interest in order to fund its operations in 2012. At December 31, 2011, the Company had accounts receivable of $120,443 (March 31, 2011 - $61,882), accounts payable and accrued liabilities of $373,185 (March 31, 2011 - $17,751), and amounts due to related parties of $176,017 (March 31, 2011 - $392,629). At December 31, 2011, the Company had working capital of $762,130 (March 31, 2011 – working capital deficit of $87,395).

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk given the majority of its financial assets and liabilities are denominated in Canadian dollars.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk on its marketable securities to the extent of fluctuations in the current market prices of those securities.

As at December 31, 2011, a fluctuation in the fair value of marketable securities on the volatility of the underlying shares over the period ended has impacted the Company's other comprehensive income by approximately $76,999.

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5. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital. The Company does not pay dividends and is not subject to any externally imposed capital requirements.

The Company raises capital through the sale of its common shares to fund its corporate and exploration costs. Although the Company has been successful at raising funds in the past through issuance of common shares, there is no assurance it will be able to continue to do so in the foreseeable future.

6. MARKETABLE SECURITIES

At December 31, 2011 and March 31, 2011, the Company held marketable securities as follows:

December 31, 2011	Number of Shares	Cost	Accumulated Unrealized Gains (Losses)	Fair Value
Central Resources Corp.	100,000	$ 30,000	$ (23,000)	$ 7,000
Confederation Minerals Ltd.	200,000	88,000	0	88,000
Catalina Metals Corp.	100,000	18,000	(13,000)	5,000
Brocade Metals Corp.	200,000	2	0	2
		$ 136,002	$ (36,000)	$ 100,002

March 31, 2011	Number of Shares	Cost	Accumulated Unrealized Gains (Losses)	Fair Value
Central Resources Corp.	100,000	$ 30,000	$ (16,000)	$ 14,000
Corvus Gold Inc.	25,000	1	18,999	19,000
Confederation Minerals Ltd.	100,000	41,000	49,000	90,000
Catalina Metals Corp.	100,000	18,000	0	18,000
		$ 89,001	$ 51,999	$ 141,000

During the three month period ended December 31, 2011, the Company recognized an unrealized loss of $23,000 (March 31, 2011 – gain of $51,999), which is included in other comprehensive income (loss). Future income tax recovery in the amount of $2,875 (March 31, 2011 – income tax of $6,500) was recorded against the unrealized loss for an unrealized loss, net of tax, in the amount of $20,125 (March 31, 2011 - gain of $45,499).

During the nine month period ended December 31, 2011, the Company sold 25,000 Corvus Gold Inc., which were received pursuant to the Company's holdings in International Tower Hill Mines

Ltd. and as a result of a plan of arrangement that was carried out by International Tower Hill Mines Ltd. The shares had a book value of $1 and were sold for net proceeds of $16,065. Accordingly, the Company recognized a realized gain of $16,064.

During the year ended March 31, 2011, the Company sold 140,000 International Tower Hill Mines Ltd. ("ITH") shares, which were received pursuant to the North Bullfrog option and agreement and subsequent disposition of the property (note 7B(b)). The shares had a cost of $604,800 and were sold for net proceeds of $998,590. Accordingly, the Company recognized a realized gain of $393,790.

(Unaudited – Expressed in Canadian Dollars)

7. MINERAL PROPERTY INTERESTS

December 31, 2011													
General Projects & Red Lake, Ontario, Canada			**Nevada, USA**									**Alaska, USA**	
	General Projects	Newman Todd	Nevada General *	Eagle Basin	Painted Hills	Richmond Summit	Root Spring	Cooks Creek	Oasis	Baker	Seven Devils	Shumagin/ Unga-Popof	Total
Acquisition costs for the period	$ 0	$ 70,000	$ 5,443	$ 0	$ 0	$ 0	$ 6,579	$ 4,471	$ 0	$ 0	$15,055	$ 1,402,533	$ 1,504,081
Acquisition costs recovered	0	(97,000)	(5,115)	0	0	0	(50,002)	0	(25,923)	(5,115)	0	0	(183,155)
	0	(27,000)	328	0	0	0	(43,423)	4,471	(25,923)	(5,115)	15,055	1,402,533	1,320,926
Deferred exploration expenditures for period													
Assaying	0	683,660	5,757	0	0	0	2,961	1,552	96,285	0	0	70,619	860,834
Consultants													
- geology	3,250	980,499	40,037	0	0	0	31,415	31,071	208,093	631	2,635	166,260	1,463,891
- geophysical	0	0	0	0	0	0	75,941	19,710	0	0	0	0	95,651
- geochemical	0	0	0	0	0	0	0	0	7,292	0	0	0	10,117
Contract labour	0	0	0	0	0	0	0	0	0	2,825	0	47,579	47,579
Camp and exploration support	0	224,796	4,141	0	0	0	287	19	15,799	0	0	704,493	949,535
Drilling	0	2,255,911	0	0	0		0	667	320,042	0	0	505,699	3,082,319
Land and tenure	0	97,000	23,551	5,701	12,167	11,089	16,163	38,945	36,744	35,391	9,393	1,043	287,187
Travel and accommodation	0	126,985	10,690	0	0	0	4,606	2,034	2,234	0	489	40,475	187,513
Equipment rental	0	370,887	0	0	0	0	0	0	0	0	0	26,067	396,954
Maps and reports	0	2,593	109	0	0	0	0	0	0	0	0	208	2,910
Reclamation	0	10,455	0	0	0	0	0	0	0	0	0	0	10,455
	3,250	4,752,786	84,285	5,701	12,167	11,089	131,373	93,998	686,489	38,847	12,517	1,562,443	7,394,945
Exploration costs recovered	0	(4,750,535)	0	0	0	0	(137,631)	(97,286)	(686,378)	(38,216)	0	0	(5,710,046)
Net exploration expenditures for period	3,250	2,251	84,285	5,701	12,167	11,089	(6,258)	(3,288)	111	631	12,517	1,562,443	1,684,899
Total expenditures for period	3,250	(24,749)	84,613	5,701	12,167	11,089	(49,681)	1,183	(25,812)	(4,484)	27,572	2,964,976	3,005,825
Mineral property interests written-off or re-allocated	(54,268)	27,300	0	0	0	0	0	0	0	0	0	0	(26,968)
Balance, April 1, 2011	$ 51,018	$1,628,498	$ 189,644	$ 65,765	$ 28.068	$ 25,599	$ 66,476	$ 94,086	$ 72,753	$ 13,337	$ 81,377	$ 0	$ 2,316,621
Balance, December 31, 2011	$ 0	$ 1,631,049	$ 274,257	$ 71,466	$ 40,235	$ 36,688	$ 16,795	$95,269	$ 46,941	$ 8,853	$ 108,949	$ 2,964,976	$ 5,295,478

* Nevada General includes the Queens, Opal Hill, Larus & Long Island, Black Hawk & Gold Cloud projects.

(Unaudited – Expressed in Canadian Dollars)

March 31, 2011

General Projects & Red Lake, Ontario, Canada			Nevada, USA										
	General Projects	Newman Todd	Nevada General *	Eagle Basin	Painted Hills	Richmond Summit	Root Spring	Cooks Creek	Oasis	Rose-Bush	Baker	Seven Devils	Total
Acquisition costs for the period	$ 0	$ 0	$ 39,181	$ 0	$ 0	$ 0	$ 0	$ 882	$ 0	$ 0	$ 0	$ 20,784	$ 60,847
Acquisition costs recovered	0	(91,000)	(7,000)	0	0	0	0	(53,000)	(40,804)	0	0	0	(191,804)
	0	(91,000)	32,181	0	0	0	0	(52,118)	(40,804)	0	0	20,784	(130,957)
Deferred exploration expenditures for period													
Assaying	0	69,691	11,115	0	0	0	0	4,807	213,642	0	0	75	299,330
Consultants													
- geology	0	267,547	107,426	0	1,859	3,171	510	21,859	266,040	0	0	2,016	670,428
- geophysical	0	0	0	0	0	0	0	0	58,837	0	0	0	58,837
- geochemical	0	0	0	0	0	0	0	0	37,203	0	0	0	37,203
Contract labour	51,018	19,078	0	0	0	0	0	0	0	0	0	0	70,096
Camp and exploration support	0	320,706	2,258	0	1	0	0	29	6,204	0	0	1,382	330,579
Drilling	0	299,204	0	0	0		0	64,883	282,637	0	0	0	646,724
Land and tenure	0	91,783	1,948	5,955	12,607	11,490	8,689	53,190	112,089	0	3.543	11,263	312,557
Travel and accommodation	0	15,212	20,900	0	0	644	0	385	5,729	0	0	54	42,924
Equipment rental	0	94,174	0	0	0	0	0	0	0	0	0	0	94,174
Maps and reports	0	0	297	0	0	0	0	0	6	0	0	0	297
	51,018	1,177,395	143,944	5,955	14,467	15,305	9,199	145,153	982,381	0	3,543	14,790	2,563,150
Exploration costs recovered	0	(1,150,104)	0	0	0	0	0	(122,962)	(977,886)	0	0	0	(2,250,952)
Net exploration expenditures for period	51,018	27,291	143,944	5,955	14,467	15,305	9,199	22,191	4,495	0	3,543	14,790	312,198
Total expenditures for period	51,018	(63,709)	176,125	5,955	14,467	15,305	9,199	(29,927)	(36,309)	0	3,543	35,574	181,241
Mineral property interests written-off	0	0	0	0	0	0	0	0	0	(10,972)	0	0	(10,972)
Balance, March 31, 2010	0	$1,692,207	$ 13,519	$ 59,810	$ 13,601	$ 10,294	$ 57,277	$ 124,013	$ 109,062	$ 10,972	$ 9,794	$ 45,803	$ 2,146,352
Balance, March 31, 2011	$ 51,018	$ 1,628,498	$ 189,644	$ 65,765	$ 28,068	$ 25,599	$ 66,476	$94,086	$ 72,753	$ 0	$ 13,337	$ 81,377	$ 2,316,621

* Nevada General includes the Queens, Opal Hill, Larus & Long Island projects.

Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by an undetected defect.

Realization of assets

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

A. Newman Todd Property, Red Lake District, Ontario

In 2007, the Company acquired a 100% interest in the Newman Todd area properties (comprised of several properties) by issuing 700,000 common shares to the vendor.

The property is subject to a commitment to issue additional common shares as follows:

(i) Common shares with a value in the aggregate of $1,000,000 if a mine is placed into production; and
(ii) Common shares with a value in the aggregate of $1,000,000 if production from the properties exceeds 250,000 ounces of gold; and
(iii) Additional common shares with a value in the aggregate of $500,000 if production from the Newman Todd and Advance Red Lake properties exceeds 250,000 ounces of gold.

The mineral claims are subject to a 1% net smelter return ("NSR") royalty provided that the total NSR royalties payable on any claims within the property do not exceed 2.75%.

On November 2, 2009, the Company entered into an option agreement with Central Resources Corp. ("Central") whereby Central had the option to earn up to a 60% undivided interest in the Company's 100% owned Newman Todd Property in Red Lake, Ontario. In connection with the agreement, Central incurred the required $1,000,000 in exploration expenditures and the Company received 100,000 shares in the capital of Central. On November 15, 2010 Central formally advised the Company that it would not be continuing with the option on the Newman Todd property, having satisfied and fully discharged all of its commitments for the first year of the agreement.

On November 19, 2010, the Company entered into an option agreement with Confederation Minerals Ltd. ("Confederation") whereby Confederation can earn up to a 70% undivided interest in the Company's 100% owned Newman Todd Property in Red Lake, Ontario.

Under the terms of the agreement, Confederation can earn an initial 50% interest in the project by funding $5,000,000 in exploration and development work, issuing shares of Confederation and making payments to the Company as follows:

Incurring exploration and development expenditures, as to:

- $2,000,000 by November 19, 2011 (incurred);
- $1,500,000 by November 19, 2012 (incurred);
- $1,500,000 by November 19, 2013 (incurred).

Cash payments and share issuances of Confederation to the Company, as to:

- $50,000 and 100,000 shares on signing (received);
- $50,000 and 100,000 shares by November 19, 2011 (received October 27, 2011);
- $75,000 and 150,000 shares by November 19, 2012;
- $75,000 and 150,000 shares by November 19, 2013.

Upon having earned an initial 50% interest in the project, Confederation can earn an additional 20% interest by providing a Preliminary Assessment of the property, at Confederation's cost, and issuing 500,000 shares of Confederation to the Company. In addition, to maintain the second option in good standing, Confederation will make minimum annual expenditures of $250,000 commencing on the third anniversary and until the earlier of (a) the full exercise of the second option, and (b) the expiry of the second option.

On April 14, 2011, the Company acquired, under joint acquisition with Confederation, a 50% interest in 18 mineral claims adjacent to the Newman Todd project (the "Todd Property"). Of the 50% interest acquired by the parties from the vendor, Confederation acquired an undivided 35% interest in the Todd Property (being 70% of vendor's interest) and the Company acquired an undivided 15% interest in the Todd Property (being 30% of the vendor's interest) for the sum of $70,000. The remaining 50% interest in the claims is held by Rubicon Minerals Corporation.

B. Nevada Properties, USA

a) During the year ended March 31, 2005, the Company entered into a letter of agreement (as amended) with AngloGold Ashanti North America Inc. ("AngloGold") for the exclusive right to acquire a copy of AngloGold's Great Basin database. In order to obtain this right, the Company was required to incur US$3,000,000 on exploration expenses on Nevada Properties (incurred) and issue to AngloGold 175,000 common shares (issued). Upon the Company having expended

US$750,000 in exploration expenses on a property, AngloGold had a one-time right to earn a 60% interest in that property by incurring 200% of the expenditures incurred by the Company within three years after electing to back in. The agreement was amended to allow for annual extensions to March 9, 2007, 2008 and 2009 in consideration for the Company issuing to AngloGold 175,000 each year (all issued).

In May 2008, the Company completed the acquisition of AngloGold's Great Basin database. During fiscal 2010, the remaining back-in rights held by AngloGold on Nevada Properties were removed from various properties, and the Company acquired the following property interests in Nevada:

- Eagle Basin Property, Lander County, consisting of 37 (2010 - 45) claims acquired through staking. AngloGold holds a 2% NSR royalty.
- Painted Hills Property, Humboldt County, consisting of 79 (2010 - 79) claims acquired through staking.
- Richmond Summit Property, Eureka County, consisting of 72 (2010 – 72) claims acquired through staking. AngloGold holds a 2% NSR royalty.
- Root Spring Property, Pershing County, consisting of 70 (2010 - 54) claims acquired through staking. AngloGold holds a 2% NSR royalty.
- Cooks Creek Property, Lander County, consisting of 124 (2010 - 156) claims acquired through staking. AngloGold holds a 2% NSR royalty.
- Oasis Property, Esmeralda County, consisting of 122 (2010 – 50) claims acquired through staking. AngloGold holds a 2% NSR royalty. On October 30, 2009, the Company acquired two associated placer claims, which are subject to a 1.5% NSR with pre-production royalties payable as to US$9,000 per year (paid) for years 1-3, US$12,000 per year for years 4 to 8, and US$15,000 per year for years 9 to commercial production. The NSR can be purchased for US $800,000 at any time.
- Baker Spring Property, Elko County, consisting of 22 claims acquired through staking.
- Seven Devils Property, Pershing County, consisting of 54 claims acquired through staking and 16 leased claims The 16 leased claims are subject to a 2% NSR. Pursuant to the mineral property lease, the Company is required to make quarterly advance minimum royalty payments of US$5,000 from October 1, 2009 to July 1, 2012 (inclusive) (paid), US$7,500 from October 1, 2012 to July 1, 2013 (inclusive), and US$10,000 thereafter.
- Queens Property, Nye County, consisting of 6 claims acquired through staking.
- Opal Hill Property, Nye County, consisting of 6 (2010 – 21) claims acquired through staking.
- Larus Property, Eureka County, consisting of 62 claims acquired through staking.
- Long Island Property, Nye County, consisting of 56 claims acquired through staking.
- Black Hawk Property, Nye County, consisting of 8 claims acquired through staking.
- Gold Cloud Property, Eureka County, consisting of 20 claims acquired through staking.
- Rosebush Property, Lander County, consisting of 16 claims acquired by staking. During the year ended March 31, 2011, the Company abandoned this property and wrote-off expenditures in the amount of $10,972.

b) Letter of Intent ("LOI"), North Bullfrog and Painted Hills Properties
In March 2007, the Company entered into a LOI with ITH to enter into a joint venture in the North Bullfrog and Painted Hills projects, whereby ITH has the right to earn up to a 70% interest in the properties by making a series of payments and work commitments over four years.

- In consideration for the North Bullfrog Property, the Company received a total of US$90,000 and 10,000 common shares of ITH. During 2009, the Company entered into agreement to lease the Connection property, subject to a 4% NSR, which it may purchase for US$5,000,000. The Company may acquire the Connection property for US$1,000,000 during the term of the lease. On July 30, 2009 the Company entered into agreement with ITH for the sale of the property, and assumption of the lease on the Connection property (the "Sale Agreement"). Under the terms of the Sale Agreement, ITH paid $250,000 and issued 200,000 shares of ITH to the Company shares to earn 100% of the Company's interest in the property.

- In consideration for the Painted Hills Property, the Company received a total of US$40,000. ITH withdrew from the Painted Hills property agreement on March 9, 2009.

c) Option Agreement, Richmond Summit Property
On August 25, 2009, the Company entered into an option agreement granting Fronteer Development Group Ltd. ("Fronteer") an option to earn a 70% interest in the Richmond Summit Property. In connection with the agreement, the Company received US$25,000. Fronteer withdrew from the agreement on April 15, 2010.

d) Option Agreement, Oasis Property
On April 22, 2010, the Company entered into agreement with Centerra (U.S.) Inc. ("Centerra"), whereby Centerra has the option to earn a 75% interest in the Oasis Property in consideration for making staged payments to the Company in the aggregate of US$227,000 (US$67,000 received) and incurring exploration expenditures in the aggregate of US$4,000,000 (US$1,665,000 incurred). Centerra withdrew from the agreement on February 21, 2012.

e) Option Agreement, Cooks Creek Property
On February 25, 2011, the Company entered into agreement with Catalina Metals Corp. ("Catalina"), whereby Catalina has the option to earn a 60% interest in the Cooks Creek Property in consideration for making staged payments to the Company in the aggregate of $200,000 ($35,000 received), issuing in the aggregate 500,000 shares of Catalina to the Company (100,000 received), and incurring exploration expenditures in the aggregate of $2,500,000. Upon having earned an initial 60% in the property, Catalina can elect to earn an additional 10% interest by expending a further $2,000,000 in exploration expenditures.

f) Option Agreement, Root Spring Property
On June 6, 2011, the Company entered into an option with Brocade Metals Corp. ("Brocade"), whereby Brocade has the option to earn a 70% interest in the property in consideration for the following:

Cash payments to the Company

- $20,000 on the signing of the agreement (received);
- $30,000 on or before December 31, 2011 (received);
- $40,000 on or before December 31, 2012;
- $50,000 on or before December 31, 2013;
- $60,000 on or before December 31, 2014.

Share issuances to the Company

- 100,000 shares on the signing of the agreement (received);
- 100,000 shares on or before December 31, 2011 (received);
- 100,000 shares on or before December 31, 2012;
- 100,000 shares on or before December 31, 2013;
- 100,000 shares on or before December 31, 2014.

Incur expenditures on the Property

- $100,000 on or before December 31, 2011 (incurred);
- an additional $400,000 on or before December 31, 2012;
- an additional $1,350,,000 on or before December 31, 2013;
- an additional $1,650,000 on or December 31, 2014.

g) Lease Agreement, Baker Property
On June 14, 2011, the Company entered into a mining lease agreement with Newmont USA Limited, a subsidiary of Newmont Mining Corporation ("Newmont"), whereby Newmont may lease the property in consideration for a 2.5% NSR and the following:

Cash payments to the Company

- US$5,000 on signing of the agreement (received);
- US$7,500 on or before June 14, 2012
- US$10,000 on or before June 14, 2013
- US$20,000 on or before June 14, 2014
- US$30,000 on or before June 14, 2015 and annually thereafter.

Incur expenditures on the property

- US$75,000 on or before June 14, 2012
- an additional US$150,000 on or before June 14, 2013.

C. Alaska Properties, USA

a) Shumagin Property, Alaska
On May 19, 2011, the Company entered into an option agreement with NGAS Production Co. ("NGAS"), a subsidiary of Magnum Hunter Resources Corp. ("Magnum"), to acquire, subject to underlying advance royalty payments of US$2,000 per month to a maximum of US$450,000, a 100% interest in the Shumagin Project, in consideration for making:

Cash payments to NGAS:

- US$100,000 on signing of the agreement (paid);
- US$500,000 on or before July 15, 2011 (paid);
- US$250,000 on or before January 1, 2012 (paid).

Share issuances to NGAS:

- US$250,000 by the issuance of common shares of the Company on or before June 30, 2011 (issued)
- US$250,000 by issuance of common shares of the Company on or before January 1, 2012 (issued)

Optional cash payment or share issuances to NGAS:

- At the option of NGAS, a final option payment of US$1,500,000 in cash (US$1,000,000 on or before September 1, 2012 and US$500,000 on or before September 1, 2013) or the number of common shares of the Company equivalent to US$1,500,000 on or before October 1, 2012.

b) Unga-Popof Property, Alaska
On June 9, 2011, the Company entered into agreement with Full Metal Minerals Ltd. ("Full Metal") to acquire 60% of Full Metal's interest in the Unga-Popof Property in consideration for the following:

(Unaudited – Expressed in Canadian Dollars)

Cash payments to Full Metal

- US$5,000 on signing of the agreement (paid)
- US$70,000 within five business days of finalization of the underlying agreements as negotiated by Full Metal
- US$75,000 on or before August 1, 2012
- US$75,000 on or before August 1, 2013
- US$75,000 on or before August 1, 2014.

Share issuances to Full Metal

- 250,000 common shares of the Company with 5 business days of the finalization of the underlying agreements by Full Metal
- 250,000 common shares of the Company on or before August 1, 2012
- 250,000 common shares of the Company on or before August 1, 2013
- 250,000 common shares of the Company on or before August 1, 2014.

Incur expenditures on the Property

- US$500,000 on or before August 1, 2012
- an additional US$1,000,000 on or before August 1, 2013
- an additional US$1,500,000 on or before August 1, 2014
- an additional US$2,000,000 on or before August 1, 2015.

In addition, the Company has the option of earning an additional 15% interest by producing a Bankable Feasibility Study and issuing an additional 1,000,000 common shares of the Company to Full Metal. The Unga-Popof Property is subject to three underlying agreements, two of which have been executed.

8. PROPERTY AND EQUIPMENT

	December 31, 2011			March 31, 2011
	Cost ($)	Accumulated Amortization ($)	Net ($)	Net ($)
Computer equipment	73,986	55,507	18,479	14,865
Equipment	27,016	17,760	9,256	9,973
Automobiles	29,101	15,682	13,419	17,315
Leasehold improvements	9,814	9,323	491	1,963
	139,917	98,272	41,645	44,116

9. LOANS PAYABLE

On May 12, 2011, the Company issued an unsecured promissory note for principal of $100,000, bearing interest at 8% per annum, calculated annually and with maturity on or before July 12, 2011. The loan was repaid with interest of $1,556 on July 21, 2011.

On May 16, 2011, the Company issued an unsecured promissory note for principal of $70,000, bearing interest at 3% per annum, calculated annually and with maturity on or before May 16, 2012. The loan was repaid with interest of $570 on August 29, 2011.

(Unaudited – Expressed in Canadian Dollars)

10. CAPITAL STOCK

Authorized - Unlimited number of common shares without par value

During the nine months ended December 31, 2011, the Company:

- Closed, on July 14, 2011, a non-brokered private placement of 12,917,999 units at a price of $0.35 per unit for gross proceeds of $4,521,300. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each share purchase warrant allows for the purchase of one additional common share of the Company at $0.60 per common share until July 14, 2013. In connection with the private placement, the Company paid finders' fees in cash of $244,665 and other expenditures of $36,723, and issued 699,043 share purchase warrants valued at $42,781. The warrants have an accelerated expiry provision, such that four months after the warrants are issued, the Company may give notice that said warrants will expire thirty days from the date of the notice, unless previously exercised by the purchaser, provided that for a period of ten consecutive trading days the weighted average closing price of the Company's common shares on the Exchange exceeds $0.90 per share.
- Issued a total of 190,000 common shares in connection with the exercise of incentive stock options, for total gross consideration of $28,500.
- Issued a total of 1,132,875 common shares valued in total at $500,000, in connection with the acquisition of Shumagin Property.

Share purchase warrants

As at December 31, 2011 and March 31, 2011, the Company had the following share purchase warrants.

	December 31, 2011		**March 31, 2011**	
Expiry Date	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
July 14, 2013	7,158,042 [(a)]	$ 0.60	0	$ 0.00

(a) The warrants were valued at $42,781 using the Black-Scholes pricing model with the following assumptions: risk-free interest rate – 1.46%; expected stock price volatility - 55.55% and expected warrant life in years – 2.

Stock options

The Company has a 20% stock option plan, which allows the Board of Directors to grant options to directors, officers, employees and consultants. The maximum term of the options is five years. Options vest as to 25% at the date of grant and an additional 25% each six months thereafter.

(Unaudited – Expressed in Canadian Dollars)

As at December 31, 2011 and March 31, 2011, the Company had stock options outstanding to directors, employees and consultants as follows:

December 31, 2011			
Outstanding Number of Options	Exercisable Number of Options	Expiry Date	Exercise Price
625,000	625,000	May 4, 2012	$ 0.25
270,000	270,000	January 18, 2013	$ 0.20
1,285,000	1,285,000	September 16, 2014	$ 0.15
1,700,000	1,275,000	October 28, 2015	$ 0.18
150,000	75,000	February 23, 2016	$ 0.30
250,000	62,500	August 11, 2016	$ 0.41
500,000	125,000	September 7, 2016	$ 0.50
500,000	125,000	September 30, 2016	$ 0.53
5,280,000	3,842,500		

March 31, 2011			
Outstanding Number of Options	Exercisable Number of Options	Expiry Date	Exercise Price
875,000	875,000	May 4, 2012	$ 0.25
470,000	470,000	January 18, 2013	$ 0.20
1,500,000	1,500,000	September 16, 2014	$ 0.15
1,700,000	425,000	October 28, 2015	$ 0.18
250,000	62,500	February 23, 2016	$ 0.30
4,795,000	3,332,500		

A summary of the status of the Company's stock options as at December 31, 2011 and March 31, 2011 and changes during the periods then ended follows:

	December 31, 2011		**March 31, 2011**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of period	4,795,000	$ 0.19	3,710,000	$ 0.19
Granted	1,250,000	$ 0.49	1,950,000	$ 0.20
Exercised	(190,000)	$ 0.15	(690,000)	$ 0.19
Expired	0	$ 0.00	(175,000)	$ 0.18
Forfeited	(575,000)	$ 0.24	0	$ 0.00
Outstanding at end of period	5,280,000	$ 0.26	4,795,000	$ 0.19

(Unaudited – Expressed in Canadian Dollars)

Share-based payments

During the period ended December 31, 2011, stock options allowing for the acquisition of up to 1,250,000 shares were granted to a director and two consultants. The fair value of these stock options is recognized as share-based payments expense over the vesting period of the options. The total fair value of these options was calculated at $397,250

During the year ended March 31, 2011, 1,950,000 options were granted to directors, officers, employees and consultants. The fair value of these stock options is recognized as share-based payments expense over the vesting period of the options. The total fair value of these options was calculated at $345,245.

The fair value of stock options granted in 2011 is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011
Risk-free interest rate	1.41%
Expected dividend yield	0.00%
Expected stock price volatility	107.10%
Expected option life in years	5

11. RELATED PARTY TRANSACTIONS

(a) The Company conducts the majority of its exploration activities through an exploration services contractor in which a director is a shareholder. For the nine month period ended December 31, 2011 and 2010, the Company was charged $619,906 (2010 - $87,739) for exploration costs; $6,518 (2010 - $1,689) for capital assets; and $579,936 (2010 - $480,207) to reimburse office and administrative costs as follows:

	December 31, 2011	**December 31, 2010**
Contract wages*	$ 262,684	$ 270,616
Travel and promotion	122,252	65,029
Investor relations	107,520	36,960
Rent	53,339	47,755
Office and miscellaneous	28,771	29,756
Telephone	5,370	4,090
	$ 579,936	$ 480,207

* incl. $151,200 for CEO (2010 - $172,450 for CEO & CFO compensation)

As at December 31, 2011, the Company owed $176,017 (2010 - $371,409) to that contractor. The amount due to this related party is without interest and is due on demand. These transactions were made in the normal course of operations and are recorded at the exchange amount, being the amount agreed upon by the related parties.

(b) During the nine months ended December 31, 2011, the Company entered into a promissory note for $100,000 with a director of the Company, which note was repaid, including interest, on July 21, 2011.

(Unaudited – Expressed in Canadian Dollars)

(c) Compensation of key management personnel for the periods ending December 31, 2011 and 2010 is summarized as follows:

	December 31, 2011	December 31, 2010
Management fees, CEO and CFO	$ 173,700	$ 179,200

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the periods ended December 31, 2011 and 2010.

12. INCOME TAXES

As at its March 31, 2011 fiscal year end, the Company has accumulated losses for Canadian income tax purposes of approximately $3,587,000, which expire at various dates commencing 2014.

13. SEGMENTED INFORMATION

The Company has one operating segment, mineral exploration and development and operates in two geographical segments, Canada and the United States. The capital assets and total assets identifiable with these geographical areas are as follows:

	December 31 , 2011	March 31, 2011
Capital Assets (including mineral properties)		
Canada	$ 1,656,248	$ 1,707,343
United States	3,688,303	637,104
	$ 5,344,551	$ 2,344,447
Total Assets		
Canada	$ 2,910,214	$ 2,030,328
United States	3,745,669	637,104
	$ 6,655,883	$ 2,667,432

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	December 31, 2011	December 31, 2010
Fair value of shares received for mineral property interests	$ 47,002	$ 0
Fair value of shares issued for mineral property interests	$ 500,000	$ 0

(Unaudited – Expressed in Canadian Dollars)

Interest paid during the period	$	2,126	$	0
Income taxes paid during the period	$	0	$	0

15. COMMITMENTS

During 2007, the Company and others entered into a lease agreement for the rental of office premises for a six-year period, expiring March 31, 2013. The cost of the premises is shared between the Company and other companies related by a common director. The Company's proportionate share of minimum annual rental payments under this arrangement is as follows:

2011	$	53,359
2012		34,922
2013		33,246
	$	121,527

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in note 2, the Company's first condensed consolidated interim financial statements were prepared for the period ended June 30, 2011 in accordance with IAS 34 and IFRS 1. The accounting policies described in note 3 have not changed since the previous interim period and have been applied in preparing these interim financial statements for the nine months ended December 31, 2011, the comparative information presented in these interim financial statements for both the nine months ended December 31, 2010 and the year ended March 31, 2011. An explanation of IFRS 1, first-time adoption of IFRS exemptions, and the required reconciliations between IFRS and Canadian GAAP are described below:

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on our transition date of April 1, 2010.

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for comparative periods. The Company's adoption of IFRS did have an impact on equity, net income (loss) and comprehensive income (loss). There was no impact on operating, investing or financing cash flows in the prior periods. In preparing these condensed consolidated interim financial statements, the Company reflected the result of transition in the tables below.

Reconciliation of Consolidated Balance Sheet and Statement of Comprehensive Income from Canadian GAAP to IFRS

(Unaudited – Expressed in Canadian Dollars)

Reconciliation of Consolidated Balance Sheet

	December 31, 2010		
	Cdn GAAP	Adjustment	IFRS
Assets			
Current assets			
Cash and cash equivalents	$ 139,740	$ 0	$ 139,740
Marketable securities	35,750	0	35,750
Accounts receivable	143,900	0	143,900
Prepaid expenses and advances	34,986	0	34,986
	354,376	0	354,376
Non-current assets			
Deposit	7,428	0	7,428
Mineral property interests	2,414,284	(23,717)	2,390,567
Property and equipment, net	49,125	0	49,125
	2,470,837	(23,717)	2,447,120
TOTAL ASSETS	**$ 2,825,213**	**$ (23,717)**	**$ 2,801,496**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 1,337	$ 0	$ 1,337
Due to related parties	373,556	0	373,556
	374,893	0	374,893
SHAREHOLDERS' EQUITY			
Capital stock	11,664,177	0	11,664,177
Contributed surplus	1,163,984	13,516	1,177,500
Accumulated other comprehensive income	5,031	0	5,031
Deficit	(10,382,872)	(37,233)	(10,420,105)
TOTAL EQUITY	2,450,320	(23,717)	2,426,603
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 2,825,213**	**$ (23,717)**	**$ 2,801,496**

(Unaudited – Expressed in Canadian Dollars)

Reconciliation of Loss and Comprehensive Loss

	Three months ended December 31, 2010			Nine months ended December 31, 2010		
	Cdn GAAP	Adjustment	IFRS	Cdn GAAP	Adjustment	IFRS
Expenses						
Contract wages	$ 102,168	$ 0	$ 102,168	$ 270,616	$ 0	$ 270,616
Travel and promotion	15,163	0	15,163	109,969	0	109,969
Investor relations	480	0	480	70,440	0	70,440
Share-based payments	108,393	21,140	129,533	179,743	(13,516)	166,227
Rent	20,114	0	20,114	63,662	0	63,662
Office and miscellaneous	10,101	0	10,101	31,536	0	31,536
Insurance	7,703	0	7,703	28,448	0	28,448
Professional fees	0	0	0	35,269	0	35,269
Consulting	5,300	0	5,300	15,900	0	15,900
Telephone	2,242	0	2,242	6,061	0	6,061
Regulatory fees	(1,939)	0	(1,939)	4,269	0	4,269
Transfer agent fees	1,845	0	1,845	4,564	0	4,564
Amortization	4,506	0	4,506	13,519	0	13,519
	276,076	21,140	297,216	833,996	(13,516)	820,480
Other Expenses (Income)						
Loss (gain) on foreign exchange	1,048	0	1,048	1,925	0	1,925
Gain on sale of marketable securities	(108,618)	0	(108,618)	(393,790)	0	(393,790)
General exploration expenses written-off	0	(6,350)	(6,350)	0	23,717	23,717
Interest income	(17)	0	(17)	(22)	0	(5)
	(107,587)	(6,350)	(113,937)	(391,837)	23,717	(368,120)
Loss Before Income Tax	168,489	14,790	183,279	442,159	10,201	452,360
Future income tax recovery	8,425	0	8,425	25,381	0	25,381
Net Loss for the Period	176,914	14,790	191,704	467,540	10,201	477,741
Other Comprehensive Income						
Unrealized loss (gain) on available-for-sale securities	58,974	0	58,974	177,669	0	177,669
Comprehensive Loss for the Period	$ 235,888	$ 14,790	$ 250,678	$ 645,209	$ 10,201	$ 655,410

17. SUBSEQUENT EVENT

On February 21, 2012, options allowing for the purchase of up to 45,000 common shares of the Company were exercised at $0.15 per share for total gross proceeds of $6,750.

On February 21, 2012, Centerra notified the Company that it has terminated its option agreement on the Oasis Property.