Lovitt Resources Inc.

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012
(Expressed in U.S. Dollars)
(Unaudited)

Prepared by management without benefit of audit.

Lovitt Resources Inc.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited – Expressed in U.S. Dollars)

	March 31, 2012	December 31. 2011 (Note 15)	January 1, 2010 (Note 15)
ASSETS			
CURRENT ASSETS			
Cash	$ 14,713	$ 34,247	$ 3,544
Amounts receivable	2,576	2,338	10,134
Prepaid expenses	800	1,340	1,687
	18,089	37,925	15,365
ASSETS HELD FOR SALE (Note 4)	1	1	331,547
PROPERTY, PLANT AND EQUIPMENT (Note 5)	261,012	263,307	284,828
MINERAL PROPERTIES (Note 6)	398,827	377,573	240,802
PATRONAGE DIVIDENDS RECEIVABLE	12,384	14,871	19,845
	$ 690,313	$ 693,677	$ 892,387
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	$ 194,040	$ 130,780	$ 134,166
Accrued interest payable	44,461	49,558	269,478
Note payable (Note 7)	5,722	5,641	5,459
Current portion of long-term debt (Note 8)	109,464	118,133	394,921
	353,687	304,112	804,024
DEFERRED INCOME TAX LIABILITY	8,663	8,663	
LONG-TERM DEBT (Note 8)	354,449	331,800	920,000
	716,799	644,575	1,724,024
SHAREHOLDERS' EQUITY (DEFICIENCY)			
SHARE CAPITAL (Note 9)	3,824,125	3,824,125	2,492,110
CONTRIBUTED SURPLUS	787,135	787,135	23,369
DEFICIT	(4,637,746)	(4,562,158)	(3,347,116)
	(26,486)	49,102	(831,637)
	$ 690,313	$ 693,677	$ 892,387
COMMON SHARES			
Authorized	Unlimited	Unlimited	Unlimited
Issued and outstanding	8,142,611	8,142,611	5,132,051

"C. Lorne Brown" **Director** *"Dominic Lapenna"* **Director**

Prepared by management without benefit of audit.

Lovitt Resources Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited – Expressed in U.S. Dollars)

	Three months ended March 31, 2012	2011
EXPENSES		
Amortization of property, plant and equipment	$ 2,295	$ 2,935
General and administrative	36,141	39,378
Interest on long-term debt	9,357	30,413
Interest-other	3,108	-
Management fees	30,000	30,214
Foreign exchange loss	3,526	-
LOSS BEFORE OTHER ITEM	(84,427)	(102,938)
OTHER ITEM		
Miscellaneous income	8,839	1,625
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (75,588)	$ (101,313)
LOSS PER SHARE − basic and diluted	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	8,142,611	8,027,451

Lovitt Resources Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in US Dollars)

	Three months ended	
	March 31, 2012	**March 31, 2011**
Share Capital		
Balance at beginning of year	$ 3,824,125	$ 3,803,346
Private placement	n/a	n/a
Fair value of attached warrants on private placements	n/a	n/a
Options/warrants exercised	nil	nil
Cost of issue	n/a	
Balance at end of quarter	$ 3,824,125	$ 3,803,346
Share purchase warrants		
Balance at beginning of year	expired	2,619,400
Fair value of warrants issued	n/a	256
Fair value of warrants exercised	n/a	n/a
Balance at end of quarter	$ nil	$ 2,619,400
Contributed Surplus		
Balance at beginning of year	787,135	32,866
Stock-based compensation	n/a	nil
Options exercised	nil	nil
Balance at end of quarter	$ 787,135	$ 32,866
Deficit		
Balance beginning of year	4,562,158	4,119,620
Net income (loss) for the year	75,588	101,313
Balance at end of quarter	$ 4,637,746	$ 4,220,933

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

Lovitt Resources Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Expressed in U.S. Dollars)

	Three months ended March 31, 2012	2011 (Note 15)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Comprehensive loss for the year	$ (60,796)	$ (101,313)
Item not affect cash		
Amortization of property, plant and equipment	2,295	2,935
Changes in non-cash working capital items:		
Decrease (increase) in		
Amounts receivable	238	3,191
Prepaid expenses	(540)	1,441
Increase (decrease) in		
Accounts payable and accrued liabilities	63,260	16,534
Accrued interest payable	(5,097)	13,488
Note payable	(127)	149
	4,054	(63,575)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	--	(1,324)
Expenditures on mineral properties	(21,254)	(5,475)
Patronage dividends received	2,487	2,486
	(18,767)	(4,313)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Repayment of long-term debt	_	(8,643)
Proceeds from long-term debt	--	--
	--	(8,643)
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(19,534)	(76,531)
CASH, beginning of period	34,247	590,051
CASH, end of period	$ 14,713	$ 513,520

See accompanying summary of accounting policies and
notes to the interim condensed consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is incorporated under the *Company Act* (British Columbia). The Company holds land and mineral interests located in Wenatchee, Washington, U.S.A. The Company currently owns 270 acres of land, and owns 100% of the mineral interest in approximately 200 acres and a 70% mineral interest in an additional 350 acres. In the past, the Company partially financed its operations by selling land.

The Company's common shares are listed on the TSX Venture Exchange under the trading symbol "LRC". The Company's share options and share purchase warrants are not listed.

The Company's principal office is located at Suite 708 – 1111 West Hastings Street, Vancouver, B.C., V6E 2J3.

These interim condensed consolidated financial statements are prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has made an assessment of its ability to continue as a going concern and is aware of material adverse conditions as set out below that may cast significant doubt on the validity of this assumption. At March 31, 2012, the Company has no source of operating cash flow and a deficit of $ 4,637,746 (December 31, 2011 – $ 4,220,933). At March 31, 2012, the Company had working capital of $ -335,598 (2010 – $ 285,691) and expects to incur further losses in the development of its business. Operations for the period ended March 31, 2012 were funded primarily from private placements.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The current equity market conditions, the challenging funding environment and the low price of the Company's common shares make it dilutive and difficult to raise funds by the sale of the Company's shares. The junior resource industry has been severely impacted by the world economic situation, as it is considered to be a high-risk investment. In order to ensure its ability to continue operating, the Company expects to sell land and any remaining non-mining equipment and the cold storage building on five acres of land to finance a mineral exploration and development program. However, there is no assurance that any such activity will generate funds that will be available for investments or operations.

The interim condensed consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of, liabilities which would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interest, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. SIGNIFICANT ACCOUNTING POLICIES

Conversion to international financial reporting standards
These interim condensed consolidated financial statements have been prepared in accordance with International Financial International Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These interim condensed consolidated financial statements represent the Company's initial presentation of its results and financial position under IFRS. These interim condensed consolidated financial statements for the three months ended March 31, 2012 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of IFRS* along with the accounting policies the Company expects to adopt in its December 31, 2012 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ('IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

As these are the Company's first interim condensed consolidated financial statements prepared in accordance with IFRS, the Company's disclosure exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's interim condensed consolidated financial statements under IFRS as the reader will be able to refer to the annual consolidated financial statements which will be prepared in accordance with IFRS.

Basis of preparation
These interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flows information.

2. **SIGNIFICANT ACCOUNTING POLICIES** - continued

The preparation of these interim condensed consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements. They also have been applied in preparing an opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition form Canadian GAAP to IFRS is explained in Note 15.

Principles of consolidation
These interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Lovitt Mining Company, Inc. (a U.S. corporation). Lovitt Mining Company, Inc.'s financial statements include the accounts of its wholly owned subsidiary, Gold King Inc. (a U.S. corporation). All significant inter-company balances and transactions have been eliminated.

Critical accounting estimates and assumptions
The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are continuously assessed by management. The estimates and assumptions are based on historical experience and other factors, including realistic assessment of future developments. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next fiscal year include the assumptions and estimates relating to but not limited to, fair values for purposes of impairment analysis and the realizable value of deferred income tax assets.

Cash equivalents
The Company considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents. There are no cash equivalents at March 31, 2012.

Property, plant and equipment
Property, plant and equipment are carried at historical cost less accumulated amortization and, where necessary, write-downs for impairment. Amortization is provided on a straight-line basis over the expected useful life of each property, plant and equipment. Land is reclassified as held for sale upon being listed for sale.

Mineral properties
Mineral property costs and exploration, development and field support costs directly relating to mineral properties are deferred until there is reasonable certainty as to the existence of economically recoverable mineral reserves and the property to which they relate is placed into production, sold or abandoned. Costs are amortized against future production from the property. Costs of abandoned properties are written off at the earlier of the decision to abandon the property or the expiry date of assessment work on the property. Administrative costs and other exploration costs that do not relate to any specific property are expensed as incurred.

Mineral properties represent net expenditures incurred and capitalized as of the balance sheet date and do not necessarily reflect present or future values. The Company follows procedures to verify title for each of its mineral properties in accordance with industry standards and, to the best of its knowledge these mineral properties are in good standing. These procedures, however, will not necessarily prevent future challenges by third parties as to the validity of the Company's interests in its mineral properties.

Patronage dividends receivable
Patronage dividends are accounted for using the equity method and are redeemable at the discretion of the issuing co-operative.

Provisions for site restoration
Obligations to retire a non-current asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or an event occurs giving rise to such an obligation. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company. The Company believes it has conducted its exploration and evaluation activities in compliance with applicable environment laws and regulations.

On initial recognition, the estimated fair value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-current asset. The liability in increased over time through periodic charges to profit and loss. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Company is not presently aware of any such obligations.

Impairment of non-financial assets
Impairment tests for non-financial assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the non-financial asset's recoverable amount is calculated. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. If the carrying value of a non-financial asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the non-financial asset to its recoverable amount.

2. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Share-based payments
The fair value, at the grant date, of equity-settled shares awards is charged to comprehensive loss over the period for which the benefits of employee and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the share award reserve. The fair value of awards is calculated using the Block-Scholes pricing model which considers the following factors:

- Exercise price
- Expected volatility
- Risk-free interest rate
- Expected live of the award
- Current market price of the underlying shares
- Expected forfeitures

Revenue recognition
Interest and other revenue is recognized in the period the amounts are earned and when collection is reasonably assured.

Land and other capital asset sales are recognized when title transfers to the purchaser, when collection of sales proceeds is reasonably assured and when all other obligations have been fulfilled.

Foreign currency translation
Functional and presentation currency
The financial statements of the Company's subsidiary are prepared in the local currency of their home jurisdictions. Consolidation of the subsidiary includes re-measurement from the local currency to the Company's functional currency. The Company's functional currency, being the currency of the primary economic environment in which the Company operates, is the U.S. dollar. The interim condensed consolidated financial statements are presented in U.S. dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary's financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

Earnings (loss) per share
Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the quarter, which amounted to 8,056,054 shares (December 31, 2011 – 8,056,064 shares). Diluted earnings (loss) per share is presented using the treasury stock method and is calculated by dividing the net income (loss) applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

Income taxes
Income taxes expense is comprised of current and deferred income taxes. Current and deferred income taxes are recognized in profit and loss, except for income taxes relating to items recognized directly in equity or other comprehensive income.

Current income taxes, if any, are the expected amount payable or receivable on the taxable income or loss for the year, calculated in accordance with applicable taxation laws and regulations, using income tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to amounts payable or receivable relating to previous years.

Deferred income taxes are provided using the liability method based on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the interim condensed consolidated financial statements. Deferred income taxes is determined using income tax rates and income tax laws and regulations that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

Financial instruments
Financial assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through profit and loss. Cash is classified as fair value through profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable and patronage dividends receivable are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with realized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. A March 31, 2012 the Company has not classified any financial assets as available for sale.

Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities, accrued interest payable, note payable and long-term debt are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At March 31, 2012 the Company has not classified any financial liabilities as fair value through profit or loss.

Share capital
Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Transaction costs
The Company recognizes transaction costs incurred in connection with the issuance of capital as share issuance costs which are netted against gross proceeds from related transactions rather than being expensed as incurred. Transaction costs for assets and liabilities classified as “fair value through profit or loss” or “available for sale” are expensed as incurred. Transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Effective interest method
The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

3. **CHANGES IN ACCOUNTING POLICIES**

Share-based payments
IFRS 2 is effective for the Company as of January 1, 2010 and is applicable to share options and other share-based payments that are not vested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Share options and other share-based payments prior to November 7, 2002 are not taken in account under IFRS 2;
- Share options and other share-based payments subsequent to November 7, 2002 are only taken into account if they have not vested as at January 1, 2010;
- From January 1, 2010, all share options and other share-based payments will be expensed in accordance with the policy stated in Note 2.

Recognition of expense
Canadian GAAP – For share option awards and other share-based payments with graded vesting, the total fair value of the award is recognized on a straight-line basis over the period necessary to vest the award.

IFRS – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. The Company issues share purchase warrants but does not issue any share options; hence this change in policy had no effect on the Company’s financial statements.

Forfeitures
Canadian GAAP – Forfeitures of award are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. The Company issues share purchase warrants but does not issue any share options; share options vest immediately when awarded; hence this change in policy had no effect on the Company’s financial statements.

4. **ASSETS HELD FOR SALE**

In 2008, the Company had reclassified the net book value of its high pressure equipment, originally recorded as property, plant and equipment, to assets held for sale. The Company expected to sell this equipment in 2009 for net proceeds greater than its carrying value. However, the market for such equipment is limited and specialized, and the net recoverable amount on sale cannot be readily determined. Hence the high pressure equipment has been written down to a nominal value. Any subsequent gain or loss on the sale of the high pressure equipment will be recorded in the period the equipment is sold.

At March 31, 2012, the Company has a cold storage plant and related five acres of land available for sale. The plant and land have nominal carrying values.

--Balance of page blank--

(Unaudited – Expressed in U.S. Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Water rights	Equipment	Building	Computer equipment	Vehicles	Total
COST 2012							
Balance at January 1, 2012	181,082	8,088	76,905	587,122	7,471	26,166	886,834
Additions/disposals/transfers	-	-	-	-	-	-	-
Balance at March 31, 2012	181,082	8,088	76,905	587,122	7,471	26,166	886,834
DEPRECIATION							
Balance as at January 1, 2012	-	-	41,102	553,225	5,749	23,451	623,527
Depreciation	-	-	1,790	205	164	136	2,295
Plus cumulative impairment losses	-	-	-	-	-	-	-
Balance as at March 31, 2012	-	-	42,892	553,430	5,913	23,587	625,822
Carrying amount at March 31, 2012	**181,082**	**8,088**	**34,013**	**33,692**	**1,558**	**2,579**	**261,012**
COST 2011							
Balance at Januay 1, 2011	181,082	8,088	76,074	587,122	6,147	26,166	884,679
Additions	-	-	-	-	1,324	-	1,324
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Balance at March 31, 2011	181,082	8,088	76,074	587,122	7,471	26,166	886,003
DEPRECIATION							
Balance as at January 1, 2011	-	-	32,255	552,386	4,689	22,772	612,102
Depreciation	-	-	2,191	210	251	283	2,935
Added to cumulative impairment losses	-	-	-	-	-	-	-
Balance as at March 31, 2011	181,082	8,088	34,446	552,596	4,490	23,055	615,037

(Unaudited – Expressed in U.S. Dollars)

6. **MINERAL PROPERTIES**

	March 31, 2012	December 31, 2010	January 1, 2010
Lovitt Mineral Property - Washington, U.S.A.	$ 1	$ 1	$ 1
Golden King and MacBeth Claims - Washington, U.S.A.	1	1	1
Deferred exploration costs	398,827	282,764	240,800
	$ 398,827	$ 282,766	$ 240,802

The Lovitt Mineral Property represents a 100% undivided interest in 200 acres and a 70% undivided interest in 350 acres with mineral rights. The Golden King and MacBeth claims represent a 100% undivided interest in 40 acres with mineral rights. The mineral interest is subject to a 5% net smelter royalty, payable to former minority investor of Lovitt Mining Company Inc., as an incentive to a buyout concluded in 2004.

Mineral properties include nominal acquisition costs as they were written down in prior years. During the three months ended March 31, 2012, the Company incurred $ 21,254 of exploration costs.

During 2009, the Company's wholly-owned subsidiary Gold King Inc., entered into a lease agreement with B.J. Matthews, Trustee of the B.J. Matthews and Geneva G. Matthews Trust for the exclusive right to explore, mine, and produce on a 155 acre property located in Chelan County, in the State of Washington. In addition to an initial payment of $ 25,000 and the issuance of 60,000 common shares of the Company upon signing the agreement, the agreement also requires the following payments:

$ 15,000 on November 1, 2010 (paid)
$ 20,000 on November 1, 2011
$ 30,000 on November 1, 2012

Subsequent to November 1, 2013, the lease will continue for an additional 15 years with an annual $ 30,000 base payment required, increasing each subsequent year based on the increase in the Consumer Price Index. In addition, the Company is required to pay a production royalty of 3% of the net returns from the sale or disposition of minerals extracted from the property. The Company also has an option to purchase the fee title to the property which expires on April 30, 2017.

7. **NOTE PAYABLE**

The Company has a promissory note payable of CDN $ 5,737 (December 31, 2010 and January 1, 2010 – CDN $ 5,737) to a shareholder of the Company. The note is non-interest bearing, not collateralized, and has no fixed terms of repayment.

--Balance of page blank--

(Unaudited – Expressed in U.S. Dollars)

8. LONG-TERM DEBT

	March 31, 2012	December 31, 2011	January 1, 2010
Loan from a director of the Company – no required monthly payments; bearing interest at rates of 5%, not collateralized, due April 30, 2009, subsequently extended to April 30, 2013	$ 56,800	$ 56,800	$ 56,800
Loan from a director of the Company and his Immediate Family – no required monthly payments; interest calculated at 5% per annum; not collateralized, due July 4, 2013	22,699	8,669	160,155
Loan from corporation controlled by a director of the Company – no required monthly payments; interest calculated at 5% per annum; not collateralized, due July 4, 2013	100,000	100,000	100,000
Loan from corporation controlled by a director of the Company – no required monthly payments; interest calculated at 8% per annum; collateralized by a pledge of all the Company's assets excluding mineral rights, subsequently converted to a preferred share. See Note 8.	__	---	510,000
Loan from a corporation controlled by a director of the Company – no required monthly payments; interest calculated at 6% per annum; not collateralized, due April 30, 2013	65,000	65,000	65,000
Loan – requiring minimum monthly payments of $ 2,100 representing interest only, calculated at 12% per annum; collateralized by a pledge of the Company's land, excluding the mineral rights and the plant; $ 110,000 is due July 4, 2013 and the the balance is due on demand.	210,000	210,000	
Promissory note – payable to a vendor; repayable in Monthly instalments of $ 8,096 including interest calculated at 10.25% per annum; due September 1, 2009; subsequently due on demand	9,464	9,464	9,464
Truck loan – requiring monthly instalments of $ 350; does not bear interest; collateralized by a pledge of the vehicle; due October 14, 2010; repaid during 2010	–	–	3,502
	463,963	449,933	1,314,921
Less: Current portion	(109,464)	(118,133)	(394,921)
	$ 354,499	$ 331,800	$ 920,000

The Company is required to make the following principal payments in each of the next fiscal years ending December 31:

2012	$ 109,464
2013	354,449
	$ 463,963

(Unaudited – Expressed in U.S. Dollars)

9. **SHARE CAPITAL AND RESERVES**

Authorized - unlimited number of common shares without par value.

Issued	Number	$
Balance, as at January 1, 2010 and March 31, 2010	5,212,051	2,492,110
Issued during the period		
For cash		
private placements, net of issue cost of $ 96,451(a)	2,717,400	1,262,711
exercise of warrants (b)	98,000	48,525
Balance, as at December 31, 2010	8,027,451	3,803,346
Issued during 2011 upon exercise of warrants	40,000	20,778
Balance as at March 31, 2011	8,067,451	3,824,124

(a) Private placements
In April 2010, the Company completed a private placement of 1,200,000 units at a price of CDN $ 0.45 per unit for gross proceeds of $ 540,432 (CDN $ 540,000). Each unit consists of one common share and one share purchase warrant. Each full share purchase warrant is exercisable at a price of CDN $ 0.50 per share. The warrants are exercisable for one year from the date of approval. Total share issue costs of $ 65,784 were incurred.

In December 2010, the Company completed a private placement of 1,500,000 units at a price of CDN $ 0.55 per unit for gross proceeds of $ 818,730 (CDN $ 825,000). Each unit consists of one common share and one share purchase warrant. Each full share purchase warrant is exercisable at a price of CDN $ 0.65 per share. The warrants are exercisable for one year from the date of approval. The Company incurred share issue costs of $ 96,451, which includes 9,570 for the issuance of 17,400 private placement units for finders fees.

(b) Exercise of warrants

In November 2010, 98,000 warrants were exercised at a prices of CDN $ 0.50 and CDN $ 0.65 per warrant for gross proceeds of $ 48,525 (CDN $ 49,000).

Reserves consist of the accumulated fair value of share purchase warrants recognized as share-based payment expense.

Details of share purchase warrant transactions during 2010, 2011, and 2012 are as follows:

	Number	Weighted average exercise price (CDN $/share)
Outstanding, as at January 1, 2010 and	–	
Issued	2,717,400	0.58
Exercised	(98,000)	0.50
Expired	–	
Outstanding, as at December 31, 2010	2,619,400	0.59
Issued	–	
Exercised	–	
Expired	–	
Outstanding, as at March 31, 2011	2,619,400	0.59

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at March 31, 2011:

Number	Exercise price (CDN $)	Expiry date
1,102,000	0.50	April 2011
1,517,400	0.65	December 2011
All warrants expired		December 31, 2011
No warrants outstanding		March 31, 2012

Subsequent to the three month period ended March 31, 2011, in 2011, 40,000 warrants were exercised at a price of $ 0.50 per warrant for gross proceeds of $ 20,000. All warrants expired in December 2011.

(Unaudited – Expressed in U.S. Dollars)

10. **SEGMENTED INFORMATION**

As at March 31, 2012, March, 2011 and January 1, 2011 the Company's identifiable assets, revenue and net income (loss) in each of the geographic areas is as follows:

	March 31, 2012		
	Identifiable assets	Revenue	Net income (loss)
United States	$ 570,252	$ –	$ (75,190)
Canada	529,483	–	
	$ 1,099,735	$ –	$ (75,190)

	March 31, 2011		
	Identifiable assets	Revenue	Net income
United States	$ 576,795	$ –	$ (101,313)
Canada	530,807	–	–
	$ 1,107,602	$ –	$ (101,313)

	January 1, 2011		
	Identifiable assets	Revenue	Net income (loss)
United States	$ 587,198	$ –	$ (752,396)
Canada	600.189	–	–
	$ 1,187,387	$ –	$ (752,396)

11. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

a) **Fair value**

Fair value hierarchy
IFRS 7 establishes a fair value hierarchy, for financial instruments measured at fair value, that reflects the significance of inputs used in making fair value measurements as follows:

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

The fair value of cash and marketable securities is based on Level 1 inputs for the fair value hierarchy.

The fair value of financial instruments at March 31, 2011 and December 31, 2010 summarized as follows:

	March 31, 2012		March 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Fair value through profit or loss				
Cash	$ 14,713	$ 14,713	$ 513,520	$ 590,051
Loans and receivables				
Patronage dividends receivable	12,384	12,384	17,357	17,357
Amount receivable	2,576	2,576	2,000	2,000
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	$ 194,040	$ 194,040	$ 59,055	$ 59,055
Accrued interest payable	44,461	44,461	239,804	239,804
Note payable	5,722	5,722	5,768	5,768
Long-term debt (+)	109,464	109,464	419,464	419,464
Long-term debt to related parties	246,499	246,499	746,704	*

11. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** - continued

+ Based on management's assessment, the carrying value of long-term debt reasonably approximates its fair value.
* The fair value of related party loans is not disclosed as the fair values are not reliably measureable due to the lack of readily available market comparable data.

b) **Financial risk management**
The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. Cash and amounts receivable are exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk
The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash, in addition to listing assets that it can sell. The Company intends also to raise additional financing through the issuance of capital and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. See also Note 1.

Interest rate risk
Not payable and long-term debt bear interest at fixed rates, or do not bear interest, and therefore do not expose the Company to interest rate cash flow risk.

Foreign exchange risk
The Company is subject to foreign exchange rate risk as the Company incurs transactions and has assets and liabilities denominated in Canadian dollars, whereas the Company's functional and reporting currency is the U.S. dollar.

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's portfolio of properties has exposure to predominantly gold. The price of this commodity will affect the value of the Company and the potential value of its properties.

12. **RELATED PARTY TRANSACTIONS**

During the three months ended March 31, 2012, the Company was charged $ 33,850 (2011 – $ 39,142) for accounting, consulting, management services and casual labour provided by directors and officers of the Company, and by corporations owned by directors and officers and members of their immediate families. Also, during the period, the Company was charged $ 3,056 for interest on the outstanding loans from related parties. All the foregoing charges in Q-1 2012 were accrued.

There was no compensation paid to key management personnel.

13. **CAPITAL MANAGEMENT**

The Company manages as capital its share capital and long-term debt. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds operations and exploration activities from the issuance of shares generally through private placements, obtaining loans and selling its assets held for sale.

There were no changes to the Company's approach to capital management during 2011 and to date in 2012. The Company is not subject to externally imposed capital requirements.

15. **TRANSITION TO IFRS**

The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS and these condensed interim consolidated financial statements were prepared as described in note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement, in those financial statements, of compliance with IFRS. The Company will make this statement when it issues its 2011 annual consolidated financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "transition date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption.

a) **Initial elections upon IFRS adoption**
Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption options
Share-based payments − IFRS 2 Share−based payments encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the transition date. No adjustments were recorded as a result of applying this exemption.

FRS Mandatory exceptions
Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

b) **Reconciliations of Canadian GAAP to IFRS**
IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive loss.

c) **Changes in accounting policies**

Share-based payments
IFRS 2 is effective for the Company as of January 1, 2010 and is applicable to share options and other share-based payments that are not vested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Share options and other share-based payments prior to November 7, 2002 are not taken in account under IFRS 2;
- Share options and other share-based payments subsequent to November 7, 2002 are only taken into account if they have not vested as at January 1, 2010;
- From January 1, 2010, all share options and other share-based payments will be expensed in accordance with the policy stated in Note 2.

Recognition of expense
Canadian GAAP – For share option awards and other share-based payments with graded vesting, the total fair value of the award is recognized on a straight-line basis over the period necessary to vest the award.

IFRS – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. The Company's share options vest immediately when awarded; hence this change in policy had no effect on the Company's financial statements.

Forfeitures
Canadian GAAP – Forfeitures of award are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. The Company's share options vest immediately when awarded; hence this change in policy had no effect on the Company's financial statements.

16. **TRANSITION TO IFRS** - continued

Share-based payment reserve
Canadian GAAP − On expiry of share options and share purchase warrants, the related contributed surplus is not reclassified.

IFRS − On expiry of share options and share purchase warrants, the related share-based payment reserve is reclassified to deficit.

d) **Adjustments on transition to IFRS**

The Company has reclassified amounts recorded in contributed surplus relating to share options to reserve.