GWR Resources Inc.
Index to Financial Statements
March 31, 2011
(Unaudited – prepared by management)

GWR Resources Inc.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended March 31, 2011.

NOTICE TO READER

The interim balance sheet as at March 31, 2011 and the interim statements of loss and deficit, and the interim statements of cash flows for the six month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, BDO Canada LLP, Chartered Accountants.

The interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

/s/John Brown
John Brown, Director

May 25, 2011

/s/ Douglas B. James
Douglas B. James, Director

May 25, 2011

GWR Resources Inc.
Balance Sheets

	March 31, 2011	September 30, 2010
ASSETS		
Current Assets:		
Cash and short-term deposits	1,161,941	300
Accounts receivable	196,561	3,635
Prepaid expenses	75,765	44,565
Total current assets	1,434,267	48,500
Property and equipment (Note 3)	478,855	471,565
Mineral properties (Note 4)	22,321,815	19,841,428
Restricted cash - Ministry Mines	134,000	134,000
Other assets	1,008	2,808
TOTAL ASSETS	24,369,945	20,498,301
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities:		
Cheques in exess of cash on hand	0	196,346
Accounts payable and accruals	432,764	438,359
Current portion of long-term debt	77,464	76,507
Due to related parties (Note 6)	1,344	135,400
	511,572	846,612
Future income taxes	4,867,860	3,983,389
	5,379,432	4,830,001
Shareholders' Equity:		
Share capital (Note 5)	20,043,456	16,774,393
Contributed surplus	12,466,161	11,988,582
Deficit	(13,519,104)	(13,094,675)
Total shareholders' equity	18,990,513	15,668,300
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	24,369,945	20,498,301
	-	

Contingent liability (Note 9)

APPROVED ON BEHALF OF THE BOARD:

"John Brown" Director

"Doug James" Director

GWR Resources Inc.
Statement of Operations and Deficit

For the periods ended March 31

	March 31, 2011		*March 31, 2010*	
	3 months	***6 months***	*3 months*	*6 months*
Administrative expenses				
Amortization	**14,793**	**26,691**	-	-
Consulting, director and management fees (Note 6)	**24,207**	**30,207**	23,031	29,031
Entertainment, promotion and advertising	**7,084**	**8,372**	1,322	3,984
Flow-through Part XII.6 tax, penalties	**11,463**	**11,463**	-	1,125
Insurance, licenses and dues	**10,802**	**38,805**	10,779	33,735
Interest and bank charges	**2,019**	**6,960**	10,243	10,874
Office and general	**1,449**	**24,649**	18,107	61,828
Professional fees	**(6,086)**	**19,292**	11,354	47,493
Rent (Note 6)	**3,600**	**7,200**	3,600	7,200
Salaries and benefits	**58,489**	**118,345**	39,697	97,638
Stock-based compensation (Note 5c)	**118,000**	**118,000**	-	-
Telephone and utilities	**2,163**	**4,386**	1,734	3,708
Travel	**-**	**-**	18,358	18,476
Vehicle	**5,803**	**11,652**	4,767	9,329
	253,786	**426,022**	142,991	324,421
Other				
Interest income	**(1,463)**	**(1,593)**	(49)	(499)
Loss before income taxes	**252,323**	**424,429**	142,942	323,922
Income taxes				
Future tax recovery		**-**	-	764
Net loss and comprehensive loss for the period	**252,323**	**424,429**	142,942	324,686
Deficit, beginning of the period	**13,266,781**	**13,094,675**	12,080,714	11,898,970
Deficit, end of year	**13,519,104**	**13,519,104**	**12,223,656**	**12,223,656**

G W R Resources Inc.
Statements of Shareholders' Equity (Deficit)

For the six months ended March 31, 2011

	SHARE CAPITAL NUMBER	SHARE CAPITAL AMOUNT	SHARE SUBSCRIPTIONS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
Balance, September 30, 2009	**58,957,462**	**15,445,360**	**85,050**	**10,521,582**	**(11,898,971)**	**14,153,021**
Shares Issued during the year						
Private Placements - Cash	23,117,465	1,806,096	(85,050)	968,000	-	2,689,046
Private Placements – Debt settlement	528,235	63,388	-	-	-	63,388
Share issue costs	-	(364,201)	-	70,000	-	(294,201)
Shares issued for mineral properties	150,000	15,750	-	-	-	15,750
Tax benefits renounced on flow-through shares	-	(192,000)		-	-	(192,000)
Stock based compensation	-	-	-	429,000	-	429,000
Net loss and comprehensive loss for the year	-	-	-	-	(1,195,704)	(1,195,704)
Balance, September 30, 2010	**82,753,162**	**16,774,393**	**-**	**11,988,582**	**(13,094,675)**	**15,668,300**
Shares Issued during the period						
Private Placements – Cash	16,200,816	2,541,900	-	748,100	-	3,290,000
Share issue costs	-	(455,701)	-	124,000	-	(331,701)
Exercise of warrants	8,207,200	1,956,049	-	(468,329)	-	1,487,720
Exercise of stock options	165,000	52,463	-	(20,663)	-	31,800
Exercise of agent's unit options	235,294	58,823	-	(23,529)	-	35,294
Stock based compensation	-	-	-	118,000	-	118,000
Tax benefits renounced on flow-through shares	-	(884,471)	-	-	-	(884,471)
Net loss and comprehensive loss for the period	-	-	-	-	(424,429)	(424,429)
Balance, March 31, 2011	**102,768,241**	**$ 20,043,456**	**$ -**	**$ 12,466,161**	**$ (13,401,104)**	**$ 18,990,513**

GWR Resources Inc.

Statement of Cash Flows

	March 31, 2011		March 31, 2010	
	3 months	***6 months***	*3 months*	*6 months*
Operating Activities:				
Net loss for the period	**-252,323**	**-424,429**	-142,941	-324,686
Adjustment for:				
Depreciation	**14,793**	**26,691**		-
Stock based compensation	**118,000**	**118,000**		-
Expensing of other assets	**0**	**1,800**		-
	-119,530	**-277,938**	-142,941	-324,686
Changes in non-cash working capital balances				
Receivables	**-89,993**	**-192,926**	-4,361	25,592
Prepaid expenses	**-41,200**	**-31,200**	12,000	12,000
Accounts payables and accrued liabilities	**-171,402**	**-178,154**	-12,434	-58,967
Net cash applied to (from) operating activities	**-422,125**	**-680,218**	-147,736	-346,061
Investing Activities:				
Purchase / sale of capital assets	**-33,981**	**-33,981**		-
Purchase of other assets	**-**	**-**	14	10,431
Acquisition of mineral properties	**-**	**-**		-
Expenditures on deferred exploration and development	**-1,526,733**	**-2,307,828**	-141,103	-576,876
Net cash provided by (for) investing activities	**-1,560,714**	**-2,341,809**	-141,089	-566,444
Financing Activities				
Due to related parties	**-134,056**	**-134,056**	-95,108	22,538
Share subscriptions	**132,980**	**-**	36,780	-85,050
Proceeds from sale of capital stock	**826,426**	**4,844,814**	51,109	1,137,522
Share issue costs	**-1,269**	**-331,701**		
Cheques issued in excess of cash on hand	**0**	**-196,346**		
Decrease in long-term payable	**957**	**957**		-35,814
Net cash provided by financing activities	**825,038**	**4,183,668**	-7,219	1,039,197
Increase (Decrease) in cash during the period	**-1,157,801**	**1,161,641**	-296,044	126,691
Opening cash on hand	**2,319,742**	**300**	403,258	-19,477
Closing cash on hand	**1,161,941**	**1,161,941**	**107,214**	**107,214**

1. Basis of Presentation and Ability to Continue as a Going Concern

The interim financial statements included herein, presented in accordance with Canadian generally accepted accounting principles, have been prepared by the Company, without audit, pursuant to the rules and regulations of the British Columbia Securities Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make information present not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the financial statements of the company for the year ended September 30, 2010 and notes thereto included in the Company's year-end filing. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim period are not necessarily indicative of annual results.

These interim financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has experienced recurring losses, has not generated profitable operations since inception and as at March 31, 2011 has a loss of $424,429 for the six months then ended and has accumulated losses of $13,519,104 since inception. Should the Company be unable to continue as a going concern, the realization of assets may be at amounts significantly less than carrying values. The continuation of the Company as a going concern is dependent on its ability to obtain additional equity capital to finance existing operations, attaining commercial production from its mineral properties, and attaining future profitable operations. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

The Company's significant accounting policies are consistent with those reported in the annual financial statements as at September 30, 2010.

Recently Issued Accounting Pronouncements

a) Consolidated Financial Statements: Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting, for a non-controlling interest in a subsidiary in consolidated financial statements, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has adopted the new standard and has determined there is no impact on its financial statements on the adoption of these new standards.

b) Business Combination: Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, establishes standards for the accounting for a business combination. It is the Canadian GAAP equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. This standard is effective for the Company for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has adopted the new standard and has determined there is no impact on its financial statements on the adoption of these new standards.

c) International financial reporting standards ("IFRS"): In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian Generally Accepted Accounting Policies ("Canadian GAAP") with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company has completed its IFRS conversion review and is actively determining the impact of the transition date (October 1, 2010) balances.

3. Property and Equipment

	March 31, 2011		September 30, 2010	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 69,044**	**$ -**	$ 66,252	$ -
Building	**306,811**	**50,662**	306,811	44,551
Field equipment	**144,254**	**82,355**	145,665	71,672
Office furniture and equipment	**72,057**	**58,703**	70,540	67,785
Computer equipment	**9,423**	**389**		
Automotive equipment	**88,749**	**40,104**	88,749	33,491
Software	**32,708**	**11,978**	11,047	9,843
	$ 723,046	**$ 244,191**	$ 689,064	$ 217,499
	$ 478,855		$ 471,565	

4. Mineral properties

	BRITISH COLUMBIA	**QUEBEC**	**TOTAL**
Mineral Property Acquisition			
Balance, September 30, 2010	$ 827,227	$ 74,206	$ 901,433
Acquisition costs – Cash	-	-	-
Acquisition costs – Shares	-	-	-
Write-off on abandonment	-	-	-
Balance, March 31, 2011	$ 827,227	$ 74,206	$ 901,433
Exploration			
Balance, September 30, 2010	$ 18,834,810	$ 105,185	$ 18,939,995
Assays, core prep and storage	120,992	-	120,992
Automotive	26,535	4,248	30,783
Consulting, contracting and field supervision	203,342	54,534	257,875
Drilling	1,429,066	-	1,429,066
Equipment rental, fuel and repairs	358,140	5,727	363,868
Miscellaneous	12,317	1,347	13,664
Office expenses	7,614	298	7,912
Shop rent	54,000	-	54,000
Wages and costs	202,227	-	202,227
Balance, March 31, 2011	$ 21,249,043	$ 171,339	$ 21,420,382
Total Balance, March 31, 2011	**$ 22,076,270**	**$ 245,545**	**$ 22,321,815**

Lac La Hache, British Columbia

The following descriptions apply to adjacent properties in the Clinton Mining and Cariboo Divisions located near Lac La Hache, British Columbia.

(a) *Miracle / Murphy*

The Company owns a 100% interest in four mineral claims in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated October 27, 1994, the Company is to pay 1% of the net smelter return to the original vendor to a maximum of $1,500,000.

(b) Peach Lake

The Company owns an 80% interest in seven mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreement dated December 1, 1994, the Company is to pay 3% of the net smelter return to the original vendor on four of the seven claims to a maximum of $500,000.

(c) *Ann*

The Company owns a 100% interest in two mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreements, the Company is not required to pay a net smelter return to the original vendor.

4. Mineral properties – Continued

Lac La Hache, British Columbia - continued

(b) Murphy Lake

The Company owns a 100% interest in six mineral claims located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated June 2, 1997, the Company has agreed with the original vendor to issue 300,000 common shares, when it is confirmed that an ore body exists and the plans to commence commercial production are in place, and to pay 3% of the net smelter return to a maximum of $1,000,000.

(c) PMA

The Company owns a 100% interest in four mineral claims, located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreement dated February 14, 2000, the Company is not required to pay a net smelter return to the original vendor.

Sainte Sabine, Quebec

The Company has entered into an option agreement whereby the Company is purchasing a 100% interest in 81 mineral claims, plus 6 pending claims, located in Bellechase and Rolette townships in Quebec. In consideration, the Company will pay the vendor a total of $310,000 and issue 1,575,000 shares over a six year period. The Company has earned an initial 10% interest in the claims by paying $10,000 and issuing 150,000 common shares to the vendor, incurring exploration expenditures of $144,075 on the claims and paying filing fees of $74,206 in order to keep the claims in good standing. The vendor has a 2% NSR, of which 0.5% can be purchased by the Company for $500,000 and an additional 0.5% can be purchased for an additional $500,000.

5. Share Capital

(a) Authorized shares

Unlimited common shares with no par value

(b) Issued shares

During the period ended March 31, 2011 the Company completed the following share issuance transactions:

i. On October 1, 2010, pursuant to a brokered private placement, the Company issued 2,467,750 flow through Units at $0.16 per unit and 3,346,160 non-flow through units at $0.15 per unit for total gross proceeds of $896,764. Each flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until October 1, 2011. Each non-flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until April 1, 2012. The fair value of the share purchase warrants, estimated to be $283,100, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions: Share price volatility – 64%; Expected term – 1.3 years; Risk-free rate of return – 1.39% and Expected dividend yield – 0%.

   The Company incurred share issue costs totaling $147,545, including finders' fees of $71,741, corporate finance fees of $20,000, legal and filing fees of $16,804 and issued 465,112 agent's warrants entitling the holder to purchase one common share at an exercise price of $0.25 until April 1, 2012. The fair value of the agent's warrants, estimated to be $39,000, was recorded as a reduction to share capital as share issue costs and credited to contributed surplus. The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 70%; Expected term – 1.5 years; Risk-free rate of return – 1.39% and Expected dividend yield – 0%.

ii) On November 10, 2010, pursuant to a brokered private placement, the Company issued 2,270,000 flow through Units at $0.16 per unit and 1,866,906 non-flow through units at $0.15 per unit for total gross proceeds of $643,236. Each flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until November 10, 2011. Each non-flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until May 10, 2012.

5. Share Capital – Continued

(b) Issued shares - continued

ii) On November 10, 2010 - continued

The fair value of the share purchase warrants, estimated to be $204,500, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions: Share price volatility – 63%; Expected term – 1.2 years; Risk-free rate of return – 1.57% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling $121,432, including finders' fees of $51,459, agent commissions of $35,000, filing fees of $7,973 and issued 330,952 agent's warrants entitling the holder to purchase one common share at an exercise price of $0.25 until May 10, 2012. The fair value of the agent's warrants, estimated to be $27,000, was recorded as a reduction to share capital as share issue costs and credited to contributed surplus. The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 66%; Expected term – 1.5 years; Risk-free rate of return – 1.57% and Expected dividend yield – 0%.

iii) On November 30, 2010, pursuant to a brokered private placement, the Company issued 6,250,000 flow through Units at $0.28 per unit for total gross proceeds of $1,750,000. Each flow through unit consisted of one flow-through common share and one-half non-transferrable non-flow through share purchase warrant entitling the holder, in exchange for one share purchase warrant, to purchase one additional common share at an exercise price of $0.50 until November 30, 2012. If the closing price of the common shares of the Company on the TSX Venture Exchange is greater than $0.70 for at least 20 consecutive trading days in the period from March 31, 2011 to November 30, 2012, the Company may accelerate the expiry date of the warrants by giving notice to the warrant holders and in such case the warrants will expire on the 30th day after the date on which such notice is given. The fair value of the share purchase warrants, estimated to be $260,500, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following: Share price volatility – 77%; Expected term – 2 years; Risk-free rate of return – 1.69% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling $186,725, including finders' fees of $102,000, legal and filing fees of $26,725 and issued 485,714 agent's units entitling the holder to purchase one unit at an exercise price of $0.28 until November 30, 2012. Each unit is comprised of one common share and one-half non-transferrable share purchase warrant entitling the holder, in exchange for one share purchase warrant, to purchase one additional common share at an exercise price of $0.50 until November 30, 2012. The fair value of the agent's units, estimated to be $58,000, was recorded as a reduction to share capital as share issue costs and credited to contributed surplus. The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 77%; Expected term – 2 years; Risk-free rate of return – 1.69% and Expected dividend yield – 0%.

(iv) Throughout the period 400,294 stock options have been exercised for total cash proceeds of $67,094 and 8,707,200 warrants have been exercised for total cash proceeds of $1,487,720. On exercise of stock options and warrants the value of the exercised securities when issued, originally credited to contributed surplus (stock options - $44,192; warrants - $468,329), is credited to share capital and debited to contributed surplus.

(c) Stock options

Effective December 2010, the Company adopted the Amended Stock Option Plan ("the Plan") which is pursuant to the policies of the TSX Venture Exchange ("VSX-V"). The Company may grant incentive stock options to its officers, employees and consultants. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 7.5% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual. The exercise price of stock options is determined by the Board of Directors of the Company at the time of grant and may not be less than the average allowable discount from the last closing price of the Company's shares immediately preceding the time the option is granted and publicly announced.

5. Share Capital – Continued

(c) Stock options - continued

During the period ended March 31, 2011 the Company granted 400,000 incentive stock options to a director. The options vested immediately and are exercisable for five years at $0.42 per share. Based on the estimated fair value of the options at their grant dates, the Company recorded stock-based compensation expense of $118,000 for these options in the statement of operations. The fair value of the options granted was estimated using the Black-Scholes Option Pricing Model using the following assumptions: Risk free rate of return - 2.38%; Expected share price volatility – 89%; Expected life of the options – 5 years; and Expected dividend yield – 0%.

The following table summarizes information about stock option transactions:

	Number	Weighted Average Exercise Price
Balance, September 30, 2009	3,153,400	$0.18
Options expired / cancelled	(869,400)	$0.21
Options granted	3,784,400	$0.20
Balance, September 30, 2010	6,068,400	$0.19
Options exercised	(165,000)	$0.19
Options granted	400,000	$0.42
Balance, March 31, 2011	6,303,400	$0.20

Stock options outstanding at March 31, 2011 are as follows:

Number of Options	Weighted Average Exercise Price	Expiry Date
50,000	$0.17	December 20, 2011
140,000	$0.17	February 02, 2012
170,000	$0.17	May 06, 2013
1,824,000	$0.17	March 23, 2014
200,000	$0.17	May 15, 2014
3,519,400	$0.20	September 3, 2015
400,000	$0.42	February 24, 2016
6,303,400	$0.20	

(d) Warrants

A summary of the Company's outstanding share purchase warrants at March 31, 2011 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted Average Exercise price
Balance, September 30, 2009	10,031,460	$0.46
Warrants issued	24,537,134	$0.15
Warrants expired	(4,393,995)	$1.75
Balance, September 30, 2010	30,174,599 (1)	$0.17
Warrants issued (2)	14,114,737	$0.31
Warrants expired	(253,574)	$0.35
Warrants exercised (3)	(8,207,200)	$0.18
Balance, March 31, 2011	35,828,562 (4)	$ 0.15

(1) Warrants outstanding include 477,465 warrants contingently issuable pursuant to agent's unit options.

(2) Warrants issued include 242,857 warrants contingently issuable pursuant to agent's unit options issued during the period. The contingently issuable warrants are exercisable at $0.50 per share.

(3) Warrants exercised include 235,294 warrants which were contingently issuable pursuant to agents' unit options. During the period certain of the agents' unit options were exercised and the warrants were issued and exercised concurrent with the terms exercise of the unit options.

(4) Warrants outstanding include 485,028 warrants contingently issuable pursuant to agent's unit options

5. Share Capital - Continued

(d) Warrants - continued

During the period ended March 31, 2011 the Company issued 14,114,737 share purchase warrants as part of unit offerings, as described in detail in Notes 5(b) and 5(d), Based on the estimated fair value of the warrants at their issue dates, the Company recorded $748,100 as an increase in contributed surplus and a reduction of share capital. The fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions: Risk free rate of return - 1.57%; Expected share price volatility – 70%; Expected life of the options – 1.5 years; and Expected dividend yield – 0%.

The following warrants to acquire common shares were outstanding at March 31, 2011:

Number of Shares	Exercise Price	Expiry Date
41,500	$0.12	June 16, 2011
3,027,131	$0.15	June 24, 2011
2,993,749	$0.12	June 30, 2011
118,500	$0.12	August 2, 2011
1,602,561	$0.30	August 21, 2011
2,436,750	$0.25	October 2, 2011
2,270,000	$0.25	November 10, 2011
7,074,999	$0.16/0.25	May 11, 2011 / November 14, 2011
550,000	$0.16/0.25	June 14, 2011 /December 14, 2011
1,118,452	$0.12 to 0.15	December 22, 2011
187,302	$0.12 to 0.15	January 12, 2012
384,295	$0.12	February 2, 2012
3,811,272	$0.25	April 1, 2012
2,064,524	$0.25	May 10, 2012
4,211,082	$0.16/0.25	May 14, 2011 / May 14, 2012
326,417	$0.16/0.25	June 16, 2011 / June 16, 2012
242,171 (1)	$0.15	June 30, 2012
3,125,000	$0.50	November 30, 2012
242,857 (1)	$0.50	November 30, 2012
35,828,562		

(1) Contingently issuable as a component of Agent Unit Options

(e) Agent's Unit Options

As part of agents' commission for brokered private placements the Company has issued 485,714 options to acquire units comprised of shares and warrants. The fair value of agent options granted in connection with finder fees were estimated using the Black-Scholes option pricing model using the following assumptions: Risk free rate of return - 1.69%; Expected share price volatility – 77%; Expected life of the options – 2 years; and Expected dividend yield – 0%.

A summary of the Company's outstanding agent's options to purchase units at March 31, 2011 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted Average Exercise price
Balance, September 30, 2009	235,294	$0.15
Unit options granted	242,171	$0.12
Balance, September 30, 2010	477,465	$0.13
Unit options exercised	(235,294)	$0.15
Unit options granted	485,714	$0.28
Balance, March 31, 2011	727,885	$ 0.20.

The following options to acquire units were outstanding at March 31 2011:

Number of Shares	Exercise Price	Expiry Date
242,171 (1)	$0.12	June 30, 2012
485,714 (2)	$0.28	November 30, 2012
727,885		

(1) Each unit is comprised of one common share and one share purchase warrant entitling the holder to purchase one common share at an exercisable price of $0.15 until June 30, 2012. The share purchase warrants have not been valued as the contingent equity instrument is based on a contingent event which could not be practically determined. These share purchase warrants are included in Note 5(d) summary as they are potentially anti-dilutive.

(2) Each unit is comprised of one common share and one-half share purchase warrant entitling the holder to purchase one common share at an exercisable price of $0.50 until November 30, 2012. The share purchase warrants have not been valued as the contingent equity instrument is based on a contingent event which could not be practically determined. These share purchase warrants are included in Note 5(d) summary as they are potentially anti-dilutive.

6. Related party transactions

a) The due to related parties balance represents amounts payables to a number of individual shareholders (two are also directors) and companies controlled by an individual shareholder which are unsecured, bear no interest and are repayable on demand.

b) During the period, amounts paid to companies controlled by directors and officers of the Company were as follows:

	March 31, 2011	September 30, 2010
Included in Property Exploration Costs		
Equipment rental	**$ 176,160**	$ 211,275
Shop rent	**36,000**	112,000
Contractor's fees	**139,760**	166,100
Field supervision	**48,000**	96,000
	$ 399,920	$ 585,375

	March 31, 2011	March 31, 2010
Included in Operations		
Management fees	**$ 12,000**	$ 24,000
Rent	**7,200**	14,400
	$ 19,200	$ 38,400

These transactions are measured at the exchange value, being the price agreed to between the parties.

7. Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument.

Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed in the period in which they occur.

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding:

Cash and short term deposits	Held-for-trading
Amounts receivable	Loans and receivables
Due from related party	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Due to related parties	Other financial liabilities

7. Financial Instruments - Continued

Fair value of financial assets and liabilities

The carrying amount for cash and short term deposits that are not restricted, receivables, accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

The carrying amount of long-term debt approximates fair value as the rate used is similar to market interest rates for similar debt with similar terms.

The carrying amount of due from related party approximates fair value to the demand feature of this financial instrument.

The Company defines the fair value hierarchy under which its financial instruments are valued as follows:

Level 1: Includes unadjusted quotes prices in active markets for identical assets and liabilities;

Level 2: Includes inputs other than quoted prices at level 1 that are observable for assets or liabilities either directly or indirectly,

Level 3: Includes inputs for the assets or liabilities that are not based on observable market data.

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

The Company does not have any level 2 or level 3 financial instruments as of March 31. 2011.

Overview

The Company has exposure to the following risks from its use of financial instruments:

i. Credit risk

The Company's exposure to credit risk is on its cash and short-term deposits, and receivables.

Cash and cash equivalents consist of cash bank balances and short-term deposits with original maturity dates of ninety days or less.

Amounts receivable consists of interest receivable on short-term investments and GST receivable.

The carrying amount of cash and cash equivalents, short-term deposits, and amounts receivable represents the maximum credit exposure.

ii. 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, cash equivalents and short-term deposits. The Company's cash and cash equivalents are invested in business accounts and short-term interest bearing instruments and are available on demand. The Company's short-term investment is available on demand without penalty.

iii. Interest risk

Interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Company has not entered into any derivative contracts to manage risk. The Company's policy as it relates to its cash balances is to invest excess cash in a reputable Canadian chartered bank

As at March 31, 2011, the Company's exposure to interest rate risk is as follows:

- Cash and short-term deposits	- Variable interest rate
- Due to related parties	- Fixes interest rate at 10%
- Long-term debt	- Variable interest rate at prime rate

A change in interest rates of 1% would not materially affect cash or long-term debt.

8. Capital management

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of shareholder's equity comprising of share capital, share purchase warrants, contributed surplus and deficit. The basis for the Company's capital structure is dependent on the Company's exploration programs.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company's capital is dependent on the amount it can externally finance. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to develop existing properties and seek to acquire interests in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources for such activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

9. Contingencies and Commitments

There is a claim against the Company for unpaid amounts under a service agreement. The management of the Company has filed a counterclaim and is of the opinion that the claim is without merit. The total amount of the claim has been recorded in the accounts payable and accrued liabilities.

The Company has entered into an operating lease with two directors and an unrelated party for the property it once owned. The lease is accounted for as an operating lease. The terms of the lease are for three years expiring June 2012 with monthly rent of $9,000. There is no bargain purchase price and the lease reverts to month-to-month at the end of the third year.

The commitments over the next three years are:

April, 2011 – September 2011	$	54,000
October 2011 – June 2012	$	81,000

10. Subsequent Events

Subsequent to March 31, 2011, holders of share purchase warrants exercised 2,623,200 warrants for total proceeds of $419,284.