# Confederation Minerals Ltd.

## Condensed Consolidated Interim Financial Statements

## Third Quarter Ended March 31, 2012

(Unaudited, Prepared by Management)

**CONFEDERATION MINERALS LTD.**
Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)

| | Notes | March 31, 2012 | June 30, 2011 | July 1, 2010 |
|---|---|---|---|---|
| | | $ | $ | $ |
| | | | Note 17 | Note 17 |
| **ASSETS** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 538,973 | 685,229 | 47,211 |
| Short-term investment | 3 | 9,334,116 | 10,532,493 | - |
| Prepaid expenses | | 27,936 | 14,161 | 2,500 |
| HST/GST receivable | | 98,776 | 301,662 | 5,446 |
| Current assets held for sale | 5 | - | 385,426 | - |
| Loan receivable | 7 | - | 70,000 | - |
| **Total current assets** | | 9,999,801 | 11,988,971 | 55,157 |
| Non-current assets | | | | |
| Reclamation bond | | - | - | 7,927 |
| Exploration and evaluation assets | 6 | 12,692,735 | 2,358,837 | 849,978 |
| **Total non-current assets** | | 12,692,735 | 2,358,837 | 857,905 |
| **Total assets** | | 22,692,536 | 14,347,808 | 913,062 |
| **LIABILITIES** | | | | |
| Current liabilities | | | | |
| Accounts payable | | 169,587 | 1,074,463 | 99,693 |
| Accrued liabilities | | - | 4,500 | - |
| Current liabilities held for sale | 5 | - | 75,121 | - |
| Other Liability - premium on flow-through shares | | - | 275,000 | - |
| **Total current liabilities** | | 169,587 | 1,429,084 | 99,693 |
| Long-term liabilities | | | | |
| Long term debt | 8 | - | - | 36,800 |
| Deferred income tax liability | 5,17 | 1,281,183 | 149,525 | - |
| **Total long-term liabilities** | | 1,281,183 | 149,525 | 36,800 |
| **EQUITY** | | | | |
| Equity attributable to shareholders | | | | |
| Share capital | 9 | 19,360,909 | 14,762,322 | 1,762,511 |
| Reserves | | 3,068,637 | 1,209,800 | 296,387 |
| Deferred share based payment | | (46,128) | (64,998) | - |
| Accumulated deficit | | (5,350,959) | (3,119,362) | (1,282,329) |
| Accumulated other comprehensive income (loss) | | (26,128) | (18,563) | - |
| Non-controlling interest | | 4,235,435 | - | - |
| **Total equity** | | 21,241,766 | 12,769,199 | 776,569 |
| **Total equity and liabilities** | | 22,692,536 | 14,347,808 | 913,062 |
| **Events after the reporting period** | **18** | | | |

These condensed consolidated interim financial statements are authorised for issue by the Board of Directors on May 24, 2012. They are signed on the Company's behalf by:

**On behalf of the Board:**

*"Brian Bapty"* Director *"Lawrence Dick"* Director
Brian Bapty Lawrence Dick

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

**CONFEDERATION MINERALS LTD.**

Condensed Consolidated Interim Statements of Operation and Comprehensive Loss
(Unaudited – Prepared by Management)

| | Notes | Three Months Ended March 31, 2012 | Three Months Ended March 31, 2011 | Nine Months Ended March 31, 2012 | Nine Months Ended March 31, 2011 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| General and administrative expenses | | | | | |
| Accounting and audit fees | | 23,527 | 3,253 | 51,051 | 19,971 |
| Bank charges and interest | | 598 | - | 1,147 | 948 |
| Consulting fees | 10 | 259,147 | 137,055 | 685,312 | 219,555 |
| Filing fees | | 16,454 | 9,977 | 39,157 | 16,844 |
| Foreign exchange loss/(gain) | | - | - | 41 | - |
| Insurance | | 2,242 | 6,000 | 6,442 | 6,000 |
| Legal fees | | 83,363 | 14,488 | 108,008 | 16,697 |
| License and permits | | 162 | - | 617 | - |
| Loss on disposal of asset | | - | 2,048 | - | 2,048 |
| Meals and entertainment | | 12,541 | - | 21,105 | - |
| Office expenses | | 20,032 | 5,227 | 26,132 | 6,783 |
| Shareholder information | | 16,500 | 2,590 | 36,536 | 7,824 |
| Share-based payments | | 1,867,319 | 551,191 | 2,011,908 | 595,596 |
| Transfer agent fees | | 7,975 | 3,930 | 13,661 | 12,553 |
| Travel and accommodation | | 26,841 | 7,453 | 47,132 | 7,453 |
| Wages | | 6,705 | - | 6,705 | - |
| Website development | | 3,025 | 700 | 4,425 | 5,700 |
| | | (2,346,431) | (743,912) | (3,059,379) | (917,972) |
| Interest and miscellaneous income | | 22,326 | 24,036 | 74,249 | 21,529 |
| Gain (loss) on marketable securities | | - | 104,114 | (18,221) | 99,736 |
| Other income | 6 | 254,833 | - | 254,833 | - |
| **Net loss before tax** | | (2,069,272) | (615,762) | (2,748,518) | (796,707) |
| Deferred income tax | | 275,000 | 30,557 | 273,720 | 30,557 |
| **Net loss** | | (1,794,272) | (585,205) | (2,474,798) | (766,150) |
| Loss attributable to: | | | | | |
| Shareholders | | (1,551,071) | (585,205) | (2,231,597) | (766,150) |
| Non-controlling interest | | (243,201) | - | (243,201) | - |
| **Net loss** | | (1,794,272) | (585,205) | (2,474,798) | (766,150) |
| **Other comprehensive income (loss)** | | | | | |
| Foreign currency translation | | (12,946) | (7,685) | (12,929) | (15,958) |
| **Net comprehensive loss** | | (1,807,218) | (592,890) | (2,487,727) | (782,108) |
| Net comprehensive loss attributable to: | | | | | |
| Shareholders | | (1,558,653) | (592,890) | (2,239,162) | (782,108) |
| Non-controlling interest | | (248,565) | - | (248,565) | - |
| **Net comprehensive loss** | | (1,807,218) | (592,890) | (2,487,727) | (782,108) |
| Loss per share, basic and diluted | | (0.03) | (0.02) | (0.05) | (0.04) |
| Weighted average common shares outstanding | | 52,658,123 | 30,424,806 | 47,504,135 | 20,531,788 |

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

**CONFEDERATION MINERALS LTD.**
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)

| | Three Months Ended March 31, 2012 | Three Months Ended March 31, 2011 | Nine Months Ended March 31, 2012 | Nine Months Ended March 31, 2011 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Cash provided by (used in): | | | | |
| **Operating activities** | | | | |
| Net loss for the period | (1,794,272) | (585,205) | (2,474,798) | (766,150) |
| Items not involving cash: | | | | |
| Share-based payments | 1,867,319 | 551,192 | 2,011,908 | 595,598 |
| Loss/(gain) on disposal of marketable securities | - | (84,753) | 18,221 | (99,737) |
| Discounted interest on loan | - | - | - | 3,200 |
| Deferred income tax expense (recovery) | (275,000) | (30,557) | (273,720) | (30,557) |
| Other income | (254,833) | - | (254,833) | - |
| Changes in non-cash working capital: | | | | |
| Receivables | 455,103 | (149,204) | 215,298 | (158,436) |
| Prepaid expenses | (7,072) | (2,875) | (8,727) | (1,625) |
| Accounts payable and accrued liabilities | (88,313) | (63,124) | (193,293) | (54,619) |
| Loan receivable | - | (57,083) | 70,000 | - |
| | (97,068) | (421,609) | (889,944) | (512,326) |
| **Investing activities:** | | | | |
| Business acquisition (net of cash acquired) | (29,505) | - | (29,505) | - |
| Sale of marketable securities | - | - | 82,325 | - |
| Payment from Passport Potash Inc. | 254,833 | - | 254,833 | - |
| Exploration and evaluation assets | (526,859) | (556,142) | (5,191,867) | (563,114) |
| | (301,531) | (556,142) | (4,884,214) | (563,114) |
| **Financing activities:** | | | | |
| Proceeds from shares issued | 4,077,590 | 12,580,973 | 4,417,386 | 13,153,222 |
| Redemption (purchase) of short term investment | (3,485,147) | - | 1,198,377 | - |
| Repayment of shareholder loan | - | (30,000) | - | - |
| Repayment of long term debt | - | (40,000) | - | (40,000) |
| | 592,443 | 12,510,973 | 5,615,763 | 13,113,222 |
| Net change in cash | 193,844 | 11,533,222 | (158,395) | 12,037,782 |
| Cash and cash equivalents, beginning of period | 345,129 | 551,771 | 697,368 | 47,211 |
| Cash and cash equivalents, end of period | 538,973 | 12,084,993 | 538,973 | 12,084,993 |

**Supplementary cash flow information (Note 12)**

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

**CONFEDERATION MINERALS LTD.**

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Prepared by Management)

| | Common Shares | | Reserves | | Deferred | | Accumulated | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Option Reserve | Warrant Reserve | Share Based Payment | Deficit | Other Comprehensive Income (Loss) | Non-controlling Interest | Shareholder`s Equity |
| | | $ | $ | $ | $ | $ | $ | | $ |
| **Balance on July 1, 2010** | 15,589,667 | 1,762,511 | 185,000 | 111,387 | - | (1,282,329) | - | - | 776,569 |
| Common shares issued: | | | | | | | | | |
| Private placement | 26,668,614 | 13,943,196 | - | - | - | - | - | - | 13,943,196 |
| Finders shares issued in private placement | 479,392 | 134,230 | - | - | - | - | - | - | 134,230 |
| Share issuance costs | - | (1,475,579) | - | - | - | - | - | - | (1,475,579) |
| Premium on flow-through shares issued | - | (305,557) | - | - | - | - | - | - | (305,557) |
| Issuance of shares for Newman Property | 100,000 | 41,000 | - | - | - | - | - | - | 41,000 |
| Issuance of shares for the finders fee for Newman Property | 228,448 | 66,250 | - | - | - | - | - | - | 66,250 |
| Share-based payment | - | - | 595,597 | - | - | - | - | - | 595,597 |
| Fair value on agents warrants issued | - | - | - | 355,668 | - | - | - | - | 355,668 |
| Exercise of purchase warrants | 287,000 | 71,750 | - | - | - | - | - | - | 71,750 |
| Reallocation of fair value on warrants exercised | - | 11,480 | - | (11,480) | - | - | - | - | - |
| Loss for the period | - | - | - | - | - | (766,150) | - | - | (766,150) |
| Other comprehensive income (loss) | - | - | - | - | - | - | (15,958) | - | (15,958) |
| **Balance on March 31, 2011** | 43,353,121 | 14,249,281 | 780,597 | 455,575 | - | (2,048,479) | (15,958) | - | 13,421,016 |
| Private placement | - | - | - | - | - | - | - | - | - |
| Finders shares issued in private placement | - | - | - | - | - | - | - | - | - |
| Share issuance costs | - | - | - | - | - | - | - | - | - |
| Premium on flow-through shares issued | - | - | - | - | - | - | - | - | - |
| Issuance of shares for Newman Property | 125,000 | 90,000 | - | - | - | - | - | - | 90,000 |
| Share-based payment | - | - | 84,269 | - | (64,998) | - | - | - | 19,271 |
| Fair value on agents warrants issued | - | - | - | - | - | - | - | - | - |
| Exercise of agent's warrants | 172,000 | 77,400 | - | - | - | - | - | - | 77,400 |
| Exercise of purchase warrants | 300,000 | 135,000 | - | - | - | - | - | - | 135,000 |
| Reallocation of fair value on agents warrants exercised | - | 23,582 | - | (23,582) | - | - | - | - | - |
| Residual value applied on exercise of warrants | - | - | - | - | - | - | - | - | - |
| Exercise of stock options | 400,000 | 187,059 | (87,059) | - | - | - | - | - | 100,000 |
| Loss for the period | - | - | - | - | - | (1,070,883) | - | - | (1,070,883) |
| Other comprehensive income (loss) | - | - | - | - | - | - | (2,605) | - | (2,605) |
| **Balance on June 30, 2011** | 44,350,121 | 14,762,322 | 777,807 | 431,993 | (64,998) | (3,119,362) | (18,563) | - | 12,769,199 |
| Common shares issued: | | | | | | | | | |
| Issuance of shares for Newman Property | 100,000 | 47,000 | - | - | - | - | - | - | 47,000 |
| Exercise of agent's warrants | 980,192 | 441,087 | - | - | - | - | - | - | 441,087 |
| Exercise of purchase warrants | 8,836,219 | 3,976,299 | - | - | - | - | - | - | 3,976,299 |
| Reallocation of fair value on agents warrants exercised | - | 134,201 | - | (134,201) | - | - | - | - | - |
| Share-based payment | - | - | 1,993,038 | - | 18,870 | - | - | - | 2,011,908 |
| Business acquisition (Note 5) | - | - | - | - | - | - | - | 4,484,000 | 4,484,000 |
| Loss for the period | - | - | - | - | - | (2,231,597) | - | (243,201) | (2,474,798) |
| Other comprehensive income (loss) | - | - | - | - | - | - | (7,565) | (5,364) | (12,929) |
| **Balance on March 31, 2012** | 54,266,532 | 19,360,909 | 2,770,845 | 297,792 | (46,128) | (5,350,959) | (26,128) | 4,235,435 | 21,241,766 |

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

## 1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

The Company was incorporated on November 3, 2005 under the Business Corporations Act (British Columbia) as "Medina Ventures Inc.", changed its name to "Sienna Minerals Ltd." on April 26, 2006 and changed its name to Confederation Minerals Ltd. on April 11, 2007. The Company's principal business activity is the exploration of exploration and evaluation assets.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable. The Company's continuing operations, and the recoverability of the amounts shown for exploration and evaluation assets are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its exploration and evaluation assets, and on future profitable production or proceeds from the disposition of the exploration and evaluation assets.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The financial information is presented in Canadian Dollars (CDN$), which is the functional currency of the Company.

The head office and principal address of the Company are located at Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian Generally Accepted Accounting Policies ("CGAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian Securities regulatory authorities.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's third IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ending June 30, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with CGAAP.

### Basis of Preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss and available-for-sale that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for June 30, 2012, the Company's first annual reporting date.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at July 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 17.

### Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its controlled 56.47% interest in Magna Resources Ltd ("Magna") and American Potash LLC ("American Potash", Note 5). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation

| | Country of incorporation | Principal activity |
|---|---|---|
| Confederation Minerals Ltd | Canada | Exploration company |
| Magna Resources Ltd | Canada | Exploration company |
| American Potash LLC | United States | Exploration company |

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Non-controlling interests represent equity interests in subsidiaries owned by outside parties. Non-controlling interests consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share in changes in equity since the date of acquisition. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

### Business Combination

A business combination is a transaction or other event in which control over one or more businesses is obtained. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits.

Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition. The excess of the purchase

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

consideration and the non-controlling interests in the acquire, over the acquisition-date fair value of net assets acquired, is recorded as goodwill and allocated to cash generating units. If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain in the consolidated statement of comprehensive income (loss).

Acquisition related costs are expensed during the period in which they are incurred.
If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the corporation's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable on the basis specified in another IFRS.

**Joint Venture**

The Company recognizes its interest in a joint venture in the financial statements using the proportionate consolidation method. Prior to January 19, 2012, the date the Company acquired the control of Magna (Note 5), the consolidated financial statements included the accounts of the Company and a 50% interest in American Potash.

**Interest Income**

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

**Foreign Currencies**

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The condensed consolidated interim financial statements are presented in Canadian dollars which is the parent company's functional currency. The functional currency of the Company and Magna is Canadian dollars and the functional currency of American Potash is US dollars.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of loss in the period in which they arise.

The financial statements of entities that have a functional currency different from that of the parent Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### Financing Costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of comprehensive loss.

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash. The cash and cash equivalents are all denominated in Canadian dollars.

### Short-Term Investment

Short term investment, which is fixed term deposit held at the bank with a maturity of more than three months and less than twelve months at the time of issuance, is recorded at fair value.

### Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital

### Decommissioning and Rehabilitation Liabilities

expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

The Company recognizes the fair value of a decommissioning and restoration liability the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the decommissioning and restoration liability due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company did not have any significant decommissioning and restoration obligations at March 31, 2012.

### Share-based payments

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the options granted at the date the Company receives the goods or the services using the Black-Scholes option pricing model.

### Warrants issued in Equity Financing Transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

### Comprehensive Loss

Comprehensive loss is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

### Taxation

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

#### (b) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit of loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### Flow-Through Instruments

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors.

The Company adopted a policy to (i) allocate the proceeds between the offering of the shares and the sale of the tax benefits when the shares are offered and (ii) recognise an income tax provision upon filing of appropriate renunciation forms with the Canadian tax authorities for qualifying expenditures incurred.

### Financial Instruments – recognition and measurement

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value but through profit and loss are measured at amortized cost using the effective interest rate method.

The Company has implemented the following classifications for its financial instruments:

a) Cash and cash equivalents and short term investments as financial assets at FVTPL.

b) Trade receivables have been classified as loans and receivables.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

c) Payables and accruals have been classified as financial liabilities not at FVTPL.

**Impairment of Financial Assets**

The Company assesses at the end of each reporting period whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

**De-recognition of Financial Assets and Financial Liabilities**

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

**Impairment of Non-Financial Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities are not recognised in the financial statements and are disclosed in the notes to the financial statements unless their occurrence is remote. Contingent assets are not recognised in the financial statements, but are disclosed in the notes to the financial statements if their recovery is deemed probable.

### Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### Significant Accounting Judgements and Estimates

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(a) The purchase price allocation. Business acquisitions are accounted for by the acquisition method of accounting whereby the purchase price is allocated to the assets acquired and the liabilities assumed based on fair value at the time of the acquisition. The excess purchase price over the fair value of identifiable assets and liabilities acquired, if any, is goodwill. The determination of fair value often requires management to make assumptions and estimates. The assumptions and estimates with respect to determining the fair value of property, plant and equipment acquired generally require a high degree of judgment. Changes in the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill, if any, in the purchase price allocation. If material, such adjustments would be reflected via a restatement of previously issued financial statements.

(b) The inputs used in accounting for share purchase option expense in the interim consolidated statements of comprehensive loss.

(c) The provision for income taxes which is included in the consolidated statements of comprehensive loss and composition and quantification of deferred income tax assets and liabilities included in the consolidated statement of financial position.

(d) The recoverability of exploration and evaluation assets in the consolidated statements of financial position.

### New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2012 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

(a) IFRS 9, Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015.

(b) IFRS 10, Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(c) IFRS 11, Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers.

(d) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

(e) IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

(f) IAS 27 Separate Financial Statements

As a result of the issue of the new consolidation suite of standards, IAS 27 has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

(g) IAS 28 Investments in Associates and Joint Ventures

As a consequence of the issue of IFRS 10, IFRS 11and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

(h) IAS 1 Presentation of Financial Statements

The IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.

(i) IAS 19 Employee Benefits

A number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

## 3. SHORT-TERM INVESTMENT

As at March 31, 2012, the Company has short term investment of $7,690,000 of principal and $18,406 of interest due on January 19, 2013 with an annual yield of prime minus 1.8% (2010 - $nil).

As at March 31, 2012, the Company's subsidiary Magna has short term investment of $1,625,710 of principal due on January 23, 2013 with an annual yield of 1.2% (2010 - $nil).

## 4. MARKETABLE SECURITIES

Pursuant to the Shoreham Option Agreement (see Note 6), during the fiscal year ended 2008, the Company received 200,000 common shares of Guyana Frontier Mining Corp. (formerly known as Shoreham Resources Ltd. ("Shoreham"), a company listed on the TSX Venture Exchange, at $0.30 per share for a total of $60,000. During the fiscal year ended June 30, 2009 the Company received an additional 200,000 common shares of Shoreham Resources Ltd., at $0.29 per share. During the fiscal year ended June 30, 2009 the Company disposed of 30,000 shares of Shoreham Resources Ltd., as partial payment for the Matless Lake South Claims. The remaining 370,000 common shares were disposed of in the fiscal year ended June 30, 2010.

## 5. BUSINESS ACQUISITION

On November 21, 2011, The Company and Magna signed an agreement in respect of the acquisition by Magna of the Company's 50% interest in American Potash ("Purchase and Sale Transaction"). Under the terms of the agreement, Magna completed a 2 for 1 subdivision of its outstanding common shares, resulting in Magna having 22,420,000 common shares ("Purchase Shares") being issued and outstanding.

The purchase price for the Company's 50% interest in American Potash is comprised of 22,420,000 common shares and 2,400,000 common share purchase warrants of Magna. Each warrant entitles the Company to purchase a further common share at a price of $0.10 until February 25, 2016. Concurrent with the transfer, the Company subscribed for 6,666,666 common shares of Magna at $0.30 per share for gross proceeds to Magna of $2,000,000.

On January 19, 2012 the Purchase and Sale Transaction was completed. As a result, Magna holds a 100% interest in American Potash, which holds potash leases and an option in respect of potash lease applications in the State of Utah. Magna has an aggregate of 51,506,666 common shares and 4,800,000 common share purchase warrants exercisable at $0.10 per share issued and outstanding (on a non-diluted basis), of which 56.47% of the shares and 50% of the warrants are held by the Company.

The purpose of the Purchase and Sale Transaction is to transfer the Company's interest in the potash properties to Magna to enable the management of the Company to focus more intensely on the exploration of the Newman Todd property. The Company will subsequently distribute its shares in Magna to the shareholders ("Spin-Out") at a date to be determined by the board of directors.

## 5. BUSINESS ACQUISITION (cont'd…)

The Purchase and Sale Transaction was accounted for in accordance with IFRS 3, Business Combination, and the Company is considered to be the accounting acquirer. The purchase price allocation is listed below:

| | |
|---|---|
| **Consideration** | $ |
| Cash | 2,000,000 |
| Fair value of 50% interest in American Potash | 4,480,000 |
| | 6,480,000 |
| **Fair Value of Net Asset Acquired** | |
| Cash | 1,972,379 |
| Receivables | 12,413 |
| Prepaid | 10,095 |
| Trade and other payables | (166,076) |
| Deferred income tax liability | (19,802) |
| Loan | (294,926) |
| Exploration and evaluation costs | 10,570,198 |
| Deferred income tax liability resulted from acquisition | (1,120,281) |
| Non-controlling interest | (4,484,000) |
| | 6,480,000 |

The fair value of the 50% interest of American Potash is determined based on the fair value of the Purchase Shares, using the share price of Magna on January 19, 2012. Any goodwill recognized on acquisition is attributed to the expected value of the potash properties held by American Potash and is included in exploration and evaluation assets. The non-controlling interest in measured based on the fair value of shares of Magna held by non-controlling shareholders at January 19, 2012.

Magna contributed to revenue of $Nil and loss of $687,436 to the Company's result from January 20, 2012 to March 31, 2012.

Acquisition related cost of $34,066 is reported as legal expenses in the consolidated statement of operation.

Prior to the completion of the Purchase and Sale Transaction on January 19, 2012, the assets and liabilities relating to the 50% interest in American Potash are presented as assets and liabilities held for sale. The assets and liabilities held for sale as of June 30, 2011 and June 30, 2010 are as follows:

## 5. BUSINESS ACQUISITION (cont'd…)

| For the years ended June 30, | 2011 | 2010 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 12,139 | $ - |
| Marketable securities | 100,545 | - |
| Mineral properties | 272,742 | - |
| | $ 385,424 | $ - |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ 75,121 | $ - |
| | $ 75,121 | $ - |

## 6. EXPLORATION AND EVALUATION ASSETS

### Confederation Lake (Mitchell & Belanger) Claims, Ontario

On February 10, 2006, as amended on August 31, 2006, December 14, 2006, February 10, 2009 and March 23, 2010, the Company entered into an option agreement to acquire a 100% interest in 26 mining claims (184 units) located in the Red Lake Mining District of Ontario by making cash payments of $70,500 (paid) and issuing 430,000 shares (issued) to Rubicon Minerals Corporation and Perry English.

During the year ended June 30, 2011, management decided to abandon these claims for accounting purposes and wrote off $660,583 costs incurred to date.

### Matless Lake South Claims, Ontario

On March 14, 2006, as amended on February 2, 2007 and, March 14, 2007, the Company entered into an Option Agreement to acquire a 100% interest in 19 mining claims (184 units) located in the Red Lake Mining District of Ontario by making cash payments of $76,000 (paid), issuing 200,000 (issued) shares of the Company and transferring 30,000 common shares of Shoreham Resources Ltd. (transferred) to Rubicon Minerals Corporation and Perry English.

On September 4, 2007, as amended March 12, 2009, the Company entered into a property option agreement (the "Shoreham Option Agreement") with Shoreham that granted Shoreham the right to acquire up to a 70% working interest in the Matless Lake South Claims. Under the Shoreham Option Agreement, Shoreham could acquire a 70% working interest in consideration for total cash payments of $80,000 and issuing 400,000 common shares.

On April 30, 2011, Shoreham decided not to proceed further with the Shoreham Option Agreement and as such the Agreement was terminated.

Although the Company still holds the claims, during the year ended June 30, 2011, management decided to abandon these claims for accounting purposes and wrote off $751 costs incurred to date. The Company abandoned the ownership interest in the claims on February 3, 2012.

## 6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

### Green River Potash Project

In May 2009, American Potash entered into an option agreement with Sweetwater River Resources LLC ("Sweetwater"), John Glasscock and Kent Ausburn (the "Sweetwater Option Agreement") (collectively called the "Optionors"), to acquire pending exploration permit applications to the United States Bureau of Land Management ("BLM") in respect of certain Utah prospects and to the State of Arizona in respect of certain Arizona prospects, together with all permits and other rights issued pursuant to the applications, to allow for the exploration of potash prospects in Utah and Arizona. As at March 31 2012, the applications in Utah are pending approval from the United States Bureau of Land Management.

The option agreement entitles American Potash to acquire a 100% interest in permits, subject to a 2% royalty to the Optionors which may be bought back for $2,000,000 USD. The option may be exercised by having Magna pay a total of $270,000 USD and issue in aggregate, 4,000,000 shares of Magna to the Optionors upon receiving grants of exploration permits for not less than 25,000 acres of Utah property, as follow:

- $70,000 USD upon signing the option agreement (paid);
- 400,000 shares of Magna upon grant of the permits representing not less than 25,000 acres;
- $50,000 USD cash and 1,200,000 shares of Magna on or before the first anniversary date;
- $50,000 USD cash and 1,200,000 shares of Magna on or before the second anniversary date;
- $50,000 USD cash and 1,200,000 shares of Magna on or before the third anniversary date; and
- $50,000 USD cash on or before the fourth anniversary date.

The option period is the earlier of the fourth anniversary of the grant date or December 31, 2018.
Magna will pay a finder's fee in connection with this acquisition. The fee will be US $7,000 and 40,000 shares of Magna, payable on the grant date, and thereafter 10% of the cash and stock payments made under the option agreement, payable as and when such payments are made.

### Arizona Property

On November 2, 2010, American Potash agreed to amend the Sweetwater Option Agreement to remove the Arizona permits and Arizona properties from the agreement because Sweetwater wanted to grant the option to Passport Potash Inc. ("Passport") to acquire 100% of Sweetwater's rights and interest in the Arizona properties, subject to a 2% royalty, in consideration of payments. In return, Sweetwater agreed to compensate American Potash for the expenditures already incurred by allocating a portion of the option payments from Passport to American Potash. The allocation is based on a pre-determined formula. As a result, American Potash is entitled to 70.70% of the following:

i) 500,000 free trading shares (received) of Passport (the "Passport Shares") on the earlier of December 15, 2010 or within five business days of the date of receipt of the TSX Exchange acceptance of the option agreement (the "Acceptance Date"); and

ii) Three cash payments of $30,000 each within 12 (received), 18 (received) and 24 months (received) of the Acceptance Date.

Under the Agreement, the Arizona permits are subject to a 2% NSR royalty in favour of Sweetwater and American Potash, with Passport retaining the option to buy one-half of the royalty for $150,000 USD and the remaining one-half of the royalty for an additional $150,000 USD.

The allocation of the payments and the royalty to Sweetwater and American Potash is according to each of their respective percentage of total expenses incurred by them on the Arizona permits.

## 6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

During the period ended March 31, 2012, Passport paid the US$60,000 due for option payments to acquire a 100% interest in five Arizona State Land Department exploration permits and US$300,000 to obtain 100% of the 2% NSR royalties. American Potash's share of the received payment is US$254,484 (CAD $254,833), which is recorded as other income on the consolidated statements of operations and comprehensive Loss.

During the year ended June 30, 2011 the Company received as consideration a 50% proportionate interest in 353,450 Passport shares for a total of $91,897. The market value of 50% of the 353,450 common shares of Passport Potash Inc., being 176,725 shares held by the Company, as of June 30, 2011, was $104,268. During the period ended March 31, 2012, the American Potash sold all the shares for gross proceeds of USD $172,084.

### Newman Todd Project

Pursuant to an option agreement dated November 19, 2010 with Redstar Gold Corp. ("Redstar"), the Company was granted an option to acquire up to 70% of Redstar's Newman Todd project (the "Newman Todd Project"), located in the Red Lake Mining District of Northern Ontario.

To exercise the option to earn an initial 50% interest, the Company is required to incur a cumulative of $5,000,000 of work expenditures on the Property, issue to Redstar a total of 500,000 shares of the Company and make payments to Redstar totalling $250,000 in the following manner:

(a) 100,000 shares (issued) and a $50,000 payment (paid) within 10 business days of approval of the Agreement by the TSX Venture Exchange (December 22, 2010);

(b) work expenditures of $2,000,000 (incurred), 100,000 shares (issued) and a further $50,000 payment (paid) on or before the first anniversary of the Agreement;

(c) further work expenditures of $1,500,000 (incurred), a further 150,000 shares and a further $75,000 payment on or before the second anniversary of the Agreement; and

(d) further expenditures of $1,500,000 (incurred), a further 150,000 shares and a further $75,000 payment on or before the third anniversary of this Agreement.

To exercise the option to earn a further 20% interest, thereby increasing its overall interest to 70%, the Company will be required to produce, at its own cost, a preliminary assessment of the Property and issue a further 500,000 shares to Redstar on or before the sixth anniversary of the Agreement, subject to minimum annual expenditures of $250,000 during the last three years of the option period. The parties also have agreed to form a joint venture following the exercise of the option by the Company. The Property is subject to a two percent net smelter return and a fifteen percent net carried interest. The latter interest does not receive payment until capital expenditures have been recovered with interest. A finder's fee of $132,500 was paid with respect to the Newman Todd project by cash of $66,250 and issuance of 228,448 shares at a fair value of $0.29.

On April 14, 2011, the Company and Redstar entered into a purchase agreement with Ronald Gangloff ("Gangloff") to purchase a fifty percent (50%) interest in 18 mineral claims immediately adjacent to the Newman Todd Project. Of the 50% interest acquired, the Company has acquired an undivided 35% interest in the claims for a sum of $50,000 (paid May 25, 2011) and 125,000 shares (issued May 12, 2011) and Redstar acquired an undivided 15% interest in the claims for the sum of $70,000.

## 6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

### Expenditure related to the properties can be summarized as follows:

| | Arizona Property | Green River Potash | Matless Lake Claim | Confederation Lake Claim | Newman Todd Property | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Mineral acquisition** | | | | | | |
| Opening balance, June 30, 2010 | 66,985 | - | 1 | 131,329 | - | 198,315 |
| Cash Payments | 2,489 | - | - | - | 166,250 | 168,739 |
| Shares issued for mineral property | - | - | - | - | 197,250 | 197,250 |
| Re-allocation of expenditures | (25,260) | - | - | - | - | (25,260) |
| | 44,214 | - | 1 | 131,329 | 363,500 | 539,044 |
| **Deferred exploration expenditure** | | | | | | |
| Opening balance, June 30, 2010 | 10,748 | - | 640 | 517,769 | - | 529,157 |
| Advance Payment | - | - | - | - | 200,000 | 200,000 |
| Assays and reports | - | - | - | - | 114,354 | 114,354 |
| Camp construction | - | - | - | - | 38,662 | 38,662 |
| Drilling | - | - | - | - | 659,160 | 659,160 |
| Equipment installation | - | - | - | - | 101,950 | 101,950 |
| Field expenses | - | - | - | - | 366,700 | 366,700 |
| General administration | - | - | - | 1,935 | 5,597 | 7,532 |
| Geological surveys | - | - | 110 | 9,550 | 7,068 | 16,728 |
| Geological consulting | - | - | - | - | 422,483 | 422,483 |
| Permitting | - | - | - | - | 686 | 686 |
| Reallocation of expenditures | - | - | - | - | - | - |
| Travel and Accommodation | - | - | - | - | 78,677 | 78,677 |
| | 10,748 | - | 750 | 529,254 | 1,995,337 | 2,536,089 |
| Net costs for the year | 54,962 | - | 751 | 660,583 | 2,358,837 | 3,075,133 |
| Write down in mineral property | - | - | (751) | (660,583) | - | (661,334) |
| Disposal of property | (54,962) | - | - | - | - | (54,962) |
| **Total as at June 30, 2011** | - | - | - | - | 2,358,837 | 2,358,837 |
| **Mineral acquisition** | | | | | | |
| Cash Payments | - | 57,328 | - | - | 50,000 | 107,328 |
| Shares issued for mineral property | - | - | - | - | 47,000 | 47,000 |
| Re-allocation of expenditures | - | - | - | - | - | - |
| | - | 57,328 | - | - | 97,000 | 154,328 |
| **Deferred exploration expenditure** | | | | | | |
| Assays and reports | - | - | - | - | 687,982 | 687,982 |
| Camp construction | - | - | - | - | 65,394 | 65,394 |
| Drilling | - | - | - | - | 1,852,751 | 1,852,751 |
| Field expenses | - | - | - | - | 328,788 | 328,788 |
| General administration | - | - | - | - | 21,021 | 21,021 |
| Surveys | - | 11,143 | - | - | - | 11,143 |
| Geological consulting | - | 12,114 | - | - | 811,655 | 823,769 |
| Other consulting | - | 99,172 | - | - | - | 99,172 |
| Permitting | - | - | - | - | 1,237 | 1,237 |
| Travel and Accommodation | - | - | - | - | 170,625 | 170,625 |
| Reclamation | - | - | - | - | 10,000 | 10,000 |
| | - | 122,429 | - | - | 3,949,453 | 4,071,882 |
| **Exploration and evaluation asset acquired through business acquisition (Note 5)** | - | 6,107,688 | - | - | - | 6,107,688 |
| **Total as at March 31, 2012** | - | 6,287,445 | - | - | 6,405,290 | 12,692,735 |

## 7. LOAN RECEIVABLE

On May 16, 2011, the Company through a promissory note, agreed to lend $70,000 to Redstar Gold Corp. ("Redstar"). Interest was payable on the promissory note, from the date of grant, at a rate equal to the prime lending rate of the Bank of Montreal, compounded annually not in advance. The principal sum and interest owing were due and payable on the date which is the earlier of the first anniversary of the promissory note or the date that Redstar completed its next equity financing.

On September 15, 2011, Redstar repaid the principal sum and interest in full.

## 8. LONG TERM DEBT

Long term debt represents a verbal agreement with a third party to repay a loan amount on December 31, 2011 or should the Company complete a major financing, repayment is required prior to December 31, 2011. The loan was interest free and unsecured. During the year ended June 30, 2010, the maturity date was extended from December 31, 2010 to December 31, 2011. Based on a market interest rate of 5.5%, the amortized cost was $36,800 as at June 30, 2010. Based on the completion of a major financing in December 2010, the original debt in the amount of $40,000 became current and was repaid in full on February 2, 2011.

## 9. SHARE CAPITAL

### a) Authorized:

Unlimited common shares with no par value

### b) Issued Share Capital:

On March 31, 2012, there were 54,266,532 common shares issued and outstanding (June 30, 2011 – 44,350,121 common shares).

### c) Common Shares:

During the year ended June 30, 2010, the Company issued 310,000 common shares for exploration and evaluation assets a deemed value of $0.1225 per share. See also note 6 for details.

During the year ended June 30, 2010, the Company issued 1,684,666 units pursuant to a non-brokered private placement at a price of $0.15 per unit for gross proceeds of $252,700. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire an additional common share of the Company on or before May 31, 2012 at $0.25 per share. The securities are subject to a 4 month hold period until October 2, 2010. As the unit was issued at a price higher than the market trading price on May 31, 2010, $67,387 was allocated to reserves as fair value for the warrants under the residual value method.

On November 19, 2010, the Company issued 228,448 common shares as the finder's fee for Newman Todd project at fair value of $0.29 per share. See note 6 for details.

On December 9, 2010, the Company issued 150,000 common shares upon the exercise of warrants, for cash proceeds in the amount of $37,500 and transferred from reserves an additional $6,000 previously recognized as the residual value of those share purchase warrants.

## 9. SHARE CAPITAL (cont'd…)

### c) Common Shares (cont'd…)

On December 22, 2010, The Company issued 1,527,857 flow-through units pursuant to a non-brokered private placement at a price of $0.35 per unit for gross proceeds of $534,750. Each unit consists of one flow-through common share and one share purchase warrant entitling the holder to acquire an additional non-flow-through common share of the Company on or before December 22, 2011 at $0.45 per share. The securities were subject to a 4 month hold period until April 24, 2011. Under a finder's fee agreement, the Company was obligated to pay $11,200 cash and issue 32,000 warrants. As agreed with the finder, the Company settled the $11,200 by issuance of 40,000 units, with each consisting of one non flow-through share and one warrant exercisable at $0.45 per share on or before December 22, 2010. The fair value of the 32,000 warrants issued, using the Black Scholes valuation model was $3,929.

On January 6, 2011, the Company issued 100,000 common shares for the Newman Todd project at fair value of $0.41 per share. See also note 6 for detail.

On January 17, 2011, the Company issued 9,643,257 units pursuant to a non-brokered private placement at a price of $0.28 per unit for gross proceeds of $2,700,112. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional common share of the Company on or before January 17, 2012 at $0.45 per share. The securities were subject to a 4 month hold period until May 18, 2011. In respect of this placement, the Company paid a finder's fee of $196,538 in cash and issue 701,920 warrants. The fair value of the 701,920 warrants issued to the finder, using the Black Scholes Valuation Model, was $96,235. As agreed with the finder, the Company paid a total of $73,508 in cash and the balance of $123,030 by the issuance of 439,392 units at a deemed value of $0.28 (fair value of $123,030). Each unit consisted of one common share and one warrant exercisable at $0.45 per share on and before January 17, 2012. On May 16, 2011 and June 8, 2011, the Company issued 100,000 and 200,000 upon the exercise of such warrants for cash proceeds of $135,000 at $0.45 per share. Additionally, on Jun 1, 2011, the Company issued 172,000 common shares upon exercise of such warrants for cash proceeds of $77,400 at $0.45 per share and transferred from reserves an additional $23,582 previously recognized.

On March 3, 2011, the Company issued 2,500,000 flow-through shares at a price of $0.80 per share and 12,997,500 units at a price of $0.67 per unit pursuant to a brokered private placement for gross proceeds of $10,708,325. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $1.00 per common share until July 3, 2012. The securities were subject to a 4 month hold period ending July 4, 2011. The Company paid a finder's fee consisting of $642,499 in cash and 779,849 warrants at a fair value of $255,503 by using the Black Scholes valuation model.

On March 15, 2011, the Company issued 137,000 common shares at $0.25 per share upon the exercise of warrants for cash proceeds in the amount of $34,250 and transferred from reserves an additional $5,480 previously recognized as the residual value of those share purchase warrants.

On April 25, 2011 and May 6, 2011, the Company issued 100,000 and 300,000 common shares respectively upon the exercise of options at $0.25 per share for cash proceeds in the amount of $100,000. A total of $87,059 in share-based payment was reallocated from reserves to share capital for these options.

On May 12, 2011, the Company issued 125,000 common shares for the Newman Todd project at a fair value of $0.72 per share. See note 6 for details.

## 9. SHARE CAPITAL (cont'd…)

### c) Common Shares (cont'd…)

On October 27, 2011, the Company issued 100,000 common shares for the Newman Todd project at a fair value of $0.47 per share. See note 6 for details.

During the period ended March 31, 2012, a total of 8,836,219 share purchase warrants were exercised at a price of $0.45 for gross proceeds of $3,976,299.

During the period ended March 31, 2012, a total of 980,192 agents warrants were exercised at a price of $0.45 for gross proceeds of $441,087. A total amount of $134,201 was transferred out of reserves and into share capital for these warrants.

### d) Escrow Shares

As at March 31, 2012, all shares (June 30, 2011 – 1,186,251) have been released from escrow.

### e) Stock Options

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option will not be less than the discounted market price of the common shares as permitted by the TSX Venture Exchange policies. The options can be granted for a maximum term of 5 years.

During the year ended June 30, 2010, 100,000 options were cancelled as the owner of the options ceased to be director of the Company during the year.

On November 17, 2010, 300,000 incentive stock options were granted to a director, exercisable at $0.25 per share on or before November 17, 2015, 100% vesting immediately. A total of $47,214 of share-based payment was recorded during the year ended June 30, 2011 for these options. The exercise price is greater than the market price at the date of grant.

On February 4, 2011, 840,000 incentive stock options were granted to directors, exercisable at $0.45 per share on or before February 4, 2016, 100% vesting immediately. A total of $301,928 of share-based payment was recorded during the year ended June 30, 2011 for these options. The exercise price is greater than the market price at the date of grant.

On February 4, 2011, 200,000 incentive stock options were granted to a consultant, exercisable at $0.45 per share on or before February 4, 2016, with 25% vesting every 3 months. The exercise price is greater than the market price at the date of grant. Using the graded vesting method, a total of $97,107 of share-based payment was recorded to date.

On February 4, 2011, 210,000 incentive stock options were granted to a consultant vesting immediately at $0.45 per share on or before February 4, 2016. On February 1, 2011, the Company entered into a consulting agreement with the consultant for corporate consulting service for a period of three years for $7,500 per month. In addition to the cash payment, the stock options granted were part of the compensation package. Therefore, the Company recorded a total fair value of $75,482 as deferred share-based payment and will amortize this amount over the term of the agreement. As of

## 9. SHARE CAPITAL (cont'd…)

### e) Stock Options (cont'd...)

March 31, 2012, the Company expensed $18,870 of share-based payment. The exercise price is greater than the market price at the date of grant.

On February 25, 2011, 250,000 incentive stock options were granted to a director, exercisable at $0.69 per share on or before February 25, 2016, 100% vesting immediately. A total of $138,420 of share-based payment was recorded during the year ended June 30, 2011 for these options. The exercise price is greater than the market price at the date of grant.

On April 18, 2011, 100,000 incentive stock options were granted to a consultant, exercisable at $1.04 per share on or before April 18, 2013, with 25% vesting every 8 months. The exercise price is greater than the market price at the date of grant. Using the graded vesting method, a total of $19,921 of share-based payment was recorded to date.

On June 13, 2011, 250,000 incentive stock options were granted to a consultant, exercisable at $0.60 per share on or before June 13, 2013, with 25% vesting every 8 months. The exercise price is greater than the market price at the date of grant. Using the graded vesting method, a total of $49,057 of share-based payment was recorded to date.

On July 25, 2011, 150,000 incentive stock options were granted to an officer, exercisable at $0.84 per share on or before July 25, 2016, 100% vesting immediately. A total of $99,049 of share-based payment was recorded during the period ended March 31, 2012 for these options.

On January 1, 2012, the Company engaged a consultant to perform investor relations services. The Company granted the consultant 150,000 options, exercisable at $0.47 per share on or before January 1, 2014, with 8.33% vesting each month. A total of $24,944 of share-based payment was recorded during the period ended March 31, 2012 for these options.

On January 30, 2012, the Company granted stock options, exercisable to purchase up to an aggregate of 2,000,000 shares of the Company, to directors and consultants of the Company. The options are all exercisable at the price of $0.57 per share until January 30, 2017. All options were vested immediately at grant date. A total of $947,925 of share-based payment was recorded during the period ended March 31, 2012 for these options.

On March 16, 2012, 400,000 incentive stock options were granted to an officer, exercisable at $0.54 per share on or before March 16, 2017, 100% vesting immediately. A total of $183,445 of share-based payment was recorded during the period ended March 31, 2012 for these options.

On February 3, 2012 the Company's subsidiary Magna granted stock options, exercisable to purchase up to an aggregate of 3,285,000 shares of the Magna, to directors of Magna. These options are all exercisable at the price of $0.40 per share until February 3, 2017. All options were vested immediately at grant date. A total of $688,410 of share-based payment was recorded during the period ended March 31, 2012 for these options. The fair value of Magna options was $0.21 per share, calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.35%, a dividend yield of Nil, an expected volatility of 98.51% and an average expected life of 5 years.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

## 9. SHARE CAPITAL (cont'd…)

### e) Stock Options (cont'd...)

The continuity of stock options for the period ended March 31, 2012 is as follows:

| | Number of Options Outstanding | Weighted Average Exercise Price ($) |
|---|---|---|
| Balance June 30, 2010 | 750,000 | 0.25 |
| Granted, exercisable on or before November 17, 2015 | 300,000 | 0.25 |
| Granted, exercisable on or before February 4, 2016 | 1,250,000 | 0.45 |
| Granted, exercisable on or before February 25, 2016 | 250,000 | 0.69 |
| Granted, exercisable on or before April 18, 2013 | 100,000 | 1.04 |
| Granted, exercisable on or before June 13, 2013 | 250,000 | 0.60 |
| Exercised | (400,000) | 0.25 |
| **Balance, June 30, 2011** | **2,500,000** | **0.46** |
| Granted, exercisable on or before July 25, 2016 | 150,000 | 0.84 |
| Granted, exercisable on or before January 1, 2014 | 150,000 | 0.47 |
| Granted, exercisable on or before January 30, 2017 | 2,000,000 | 0.57 |
| Granted, exercisable on or before March 16, 2017 | 400,000 | 0.54 |
| **Balance March 31, 2012** | **5,200,000** | **0.52** |

The options outstanding and exercisable at March 31, 2012, are as follows:

| Outstanding Options | | | Exercisable Options | |
|---|---|---|---|---|
| Number Outstanding | Weighted Average Exercise Price ($) | Weighted Average Remaining Contractual Life (Years) | Number Outstanding | Weighted Average Exercise Price ($) |
| 350,000 | 0.25 | 1.29 | 350,000 | 0.25 |
| 300,000 | 0.25 | 3.63 | 300,000 | 0.25 |
| 1,250,000 | 0.45 | 3.85 | 1,250,000 | 0.45 |
| 250,000 | 0.69 | 3.91 | 250,000 | 0.69 |
| 100,000 | 1.04 | 1.05 | 50,000 | 1.04 |
| 250,000 | 0.60 | 1.20 | 125,000 | 0.60 |
| 150,000 | 0.84 | 4.32 | 150,000 | 0.84 |
| 150,000 | 0.47 | 1.76 | 37,500 | 0.47 |
| 2,000,000 | 0.57 | 4.84 | 2,000,000 | 0.57 |
| 400,000 | 0.54 | 4.96 | 400,000 | 0.54 |
| 5,200,000 | 0.52 | 3.91 | 4,912,500 | 0.51 |

## 9. SHARE CAPITAL (cont'd…)

### e) Stock Options (cont'd...)

The fair value of share options awarded to officers, directors and consultants was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

| | 2012 | 2011 |
|---|---|---|
| Risk-free interest rate (%) | 1.13% | 1.46 - 2.14 |
| Expected dividend yield (%) | - | - |
| Expected stock price volatility (%) | 124% | 102.32 - 149.32 |
| Expected life (years) | 4.88 | 1.8 - 3 |
| Weighted average grant date fair value ($) | 0.48 | 0.36 |

### f) Warrants

The continuity of warrants for the period ended March 31, 2012 is as follows:

| | Number of Warrants | Weighted Average Exercise Price ($) |
|---|---|---|
| Balance, June 30, 2010 | 2,004,666 | 0.25 |
| Expired, unexercised | (320,000) | 0.25 |
| Exercised | (759,000) | 0.37 |
| Issued, exercisable on or before December 22, 2011 | 1,599,857 | 0.45 |
| Issued, exercisable on or before January 17, 2012 | 10,784,569 | 0.45 |
| Issued, exercisable on or before July 3, 2012 | 7,278,599 | 0.67 |
| **Balance, June 30, 2011** | **20,588,691** | **0.62** |
| Exercised | (9,816,411) | 0.45 |
| Expired | (2,096,015) | 0.45 |
| **Balance, March 31, 2012** | **8,676,265** | **0.85** |

Full share equivalent warrants outstanding and exercisable at March 31, 2012 are as follows:

| Expiry Date | Price per Share | Warrants Outstanding |
|---|---|---|
| June 1, 2012 | $ 0.25 | 1,397,666 |
| July 3, 2012 | $ 1.00 | 6,498,750 |
| July 3, 2012 | $ 0.67 | 779,849 |
| | | 8,676,265 |

## 10. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities which they have control or significant influence were as follows:

## 10. RELATED PARTY TRANSACTIONS (cont'd…)

| Services provided by: | Notes | Three Months Ended March 31, 2012 | Three Months Ended March 31, 2011 | Nine Months Ended March 31, 2012 | Nine Months Ended March 31, 2011 |
|---|---|---|---|---|---|
| Lawrence Dick | (a) | $ 30,000 | $ 25,000 | $ 90,000 | $ 41,500 |
| Brian Bapty | (b) | 6,705 | - | 6,705 | - |
| Primarius Capital Corp. | (c) | 30,000 | 25,000 | 90,000 | 41,500 |
| Pineview Enterprises | (d) | - | 5,500 | - | 22,000 |
| Baron Global Financial Canada Ltd. | (e) | 30,000 | 20,000 | 90,000 | 20,000 |
| Compensation benefits to key management | (f) | 633,709 | - | 1,045,790 | - |

(a) Lawrence Dick, the CEO of the Company provided management services throughout the period.
(b) Brian Bapty, the President of the Company received management salaries for the period.
(c) Primarius Capital Corp. is a privately held corporation controlled by a director, which provides consulting services to the Company.
(d) Pineview Enterprises is a privately held corporation controlled by the former Chief Financial Officer and director, which provided consulting services to the Company.
(e) Pursuant to a management and advisory agreement with Baron Global Financial Canada Ltd. ("Baron"), Baron agreed to act as corporate advisor and Chief Financial Officer of the Company in return for a monthly fee.
(f) Compensation benefits to key management personnel consists of share-based payments made during the period.

Related party payables:

| | March 31, 2012 | June 30, 2011 |
|---|---|---|
| Lawrence Dick | $ 842 | $ - |
| Brian Bapty | 2,552 | - |
| Primarius Capital Corp. | - | - |
| Pineview Enterprises | - | - |
| Baron Global Financial Canada Ltd. | 2,662 | 1,663 |
| Kenneth Holmes | - | - |

## 11. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the periods presented is based on the following data:

| | Three Months Ended March 31, 2012 | Three Months Ended March 31, 2011 | Nine Months Ended March 31, 2012 | Nine Months Ended March 31, 2011 |
|---|---|---|---|---|
| Net Loss | (1,551,071) | (585,205) | (2,231,597) | (766,150) |
| Weighted average number of common shares outstanding | 52,658,123 | 30,424,806 | 47,504,135 | 20,531,788 |
| | (0.03) | (0.02) | (0.05) | (0.04) |

## 12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS:

Supplementary disclosure of non-cash investing and financing activities during the period ended March 31, 2012, were as follows:

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Reallocation of fair value on agents warrants exercised | $ 121,414 | $ 5,480 | $ 134,201 | $ 11,480 |
| Exploration and evaluation expenditures included within accounts payable | 128,242 | 678,888 | 128,242 | 678,888 |
| Shares issued for mineral property payment | - | 41,000 | 47,000 | 41,000 |
| Net asset acquired through business acquisition | 29,505 | - | 29,505 | - |

## 13. COMMITMENTS

On April 1, 2010, American Potash, the Company's subsidiary, entered into a consulting agreement with a third party for consulting services of 20 hours per month for $3,000 per month for a period of one year. Additional hours to complete services will be billed at $200 per hour.

On February 1, 2011, the Company entered into a consulting agreement with a third party to provide corporate communication services. The term of the agreement will be for 36 months expiring on February 28, 2014 and the consultant will be paid a monthly fee of $7,500. Approved by the board of the directors on July 1, 2011, the monthly fee increased to $10,000.

On February 1, 2011, the Company entered into a consulting agreement with a third party to provide business consulting services. The consultant will be paid a monthly fee of $7,500. Approved by the board of the directors on July 1, 2011, the monthly fee increased to $10,000.

On February 1, 2011, the Company entered into a consulting agreement with a third party to provide corporate communications services. The term of the agreement would be for 3 months and may be renewed at the option of the Company by giving 30 days written notice prior the expiry of the term. The agreement has been renewed. The consultant will be paid a monthly fee of $4,000 and was granted 200,000 stock options.

On May 15, 2011, the Company entered into a consulting agreement with a third party to provide corporate communications services for $15,000 per month. The term of the agreement was for 6 months but has been continued on a month to month basis.

## 14. FINANCIAL INSTRUMENTS

Classification of financial instruments

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position as at March 31, 2012 as follows:

| | Fair Value Measurements Using | | | | | |
|---|---|---|---|---|---|---|
| | **Quoted prices in active markets for identical instruments (Level 1) $** | **Significant other observable inputs (Level 2) $** | **Significant unobservable inputs Level 3 $** | **March 31, 2012** | **June 30, 2011** | **July 1, 2010** |
| Cash and cash equivalents | $ 538,973 | $ - | $ - | $ 538,973 | $ 685,229 | $ 47,211 |
| Short term investment | $ 9,334,116 | $ - | $ - | $ 9,334,116 | $ 10,532,493 | $ - |
| Total | $ 9,873,089 | $ - | $ - | $ 9,873,089 | $ 11,217,722 | $ 47,211 |
| Accounts payables | $ 169,587 | $ - | $ - | $ 169,587 | $ 1,074,463 | $ 99,693 |
| Total | $ 169,587 | $ - | $ - | $ 169,587 | $ 1,074,463 | $ 99,693 |

The fair values of other financial instruments, which include accounts receivable, accounts payable and accruals, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The functional currency of the Company's subsidiary American Potash is the US dollar. At March 31, 2012, the assets and liabilities of the American Potash subsidiary have been converted at the period end exchange rate.

## 14. FINANCIAL INSTRUMENTS (cont'd…)

(c) Foreign Exchange Rate Risk (cont'd…)

At March 31, 2012, June 30, 2011 and July 1, 2010 the US dollar denominated assets and liabilities of the Company's subsidiary American Potash are as follows:

| | | March 31, 2012 | | June 30, 2011 | | July 1, 2010 |
|---|---|---|---|---|---|---|
| | | US$ | | US$ | | US$ |
| **Monetary assets** | | | | | | |
| Cash and cash equivalents | $ | 289,416 | $ | 12,588 | $ | 2,747 |
| Marketable securities | | - | | 104,268 | | - |
| Reclamation bond | | - | | - | | 7,500 |
| | $ | 289,416 | $ | 116,856 | $ | 10,247 |
| **Monetary liabilities** | | | | | | |
| Accounts payable and accruals | $ | 115,663 | $ | 77,902 | $ | 15,701 |
| | $ | 115,663 | $ | 77,902 | $ | 15,701 |

The following table discusses the Company's sensitivity to a 10% increase or decrease in the Canadian dollar against the US dollar denominated assets and liabilities above. The sensitivity analysis measures the effect from recalculation of these items as at the balance sheet date by using adjusted foreign exchange rates.

| **March 31, 2012** | | CDN appreciation by 10% | | CDN depreciation by 10% |
|---|---|---|---|---|
| Increase (decrease) comprehensive loss | $ | 40,471 | $ | (40,471) |

| **June 30, 2011** | | CDN appreciation by 10% | | CDN dereciation by 10% |
|---|---|---|---|---|
| Increase (decrease) comprehensive loss | $ | (18,781) | $ | 18,781 |

| **July 1, 2010** | | CDN appreciation by 10% | | CDN dereciation by 10% |
|---|---|---|---|---|
| Increase (decrease) comprehensive loss | $ | 1,957 | $ | (1,957) |

(d) Liquidity Risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

## 14. FINANCIAL INSTRUMENTS (cont'd…)

(d) Liquidity Risk (cont'd…)

Contractual maturity analysis is as follows:

| | Less than 3 months | 3-12 months | 1-5 years | Longer than 5 years | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **March 31, 2012** | | | | | |
| Accounts receivable | 98,776 | - | - | - | 98,776 |
| Payables | 117,408 | 52,179 | - | - | 169,587 |
| **June 30, 2011** | | | | | |
| Accounts receivable | 301,662 | - | - | - | 301,662 |
| Payables | 1,074,463 | - | - | - | 1,074,463 |
| **July 1, 2010** | | | | | |
| Accounts receivable | 5,446 | - | - | - | 5,446 |
| Payables | 99,693 | - | - | - | 99,693 |

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

(f) Interest Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets in relation to cash at banks carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. As at March 31, 2012, the Company and its subsidiaries have in total $9,334,116 (June 30, 2011: $10,532,493) in guaranteed investment certificates.

The policies to manage interest rate risk have been followed by the Company during prior periods and are considered to be effective.

## 15. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

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

## 16. SEGMENTAL INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets. Geographical information of the Company's capital assets comprising exploration properties and equipment is as follows:

| | March 31, 2012 | June 30, 2011 | July 1, 2010 |
|---|---|---|---|
| Mineral properties | | | |
| - Canada | $ 6,405,290 | $ 2,358,837 | $ 649,739 |
| - United States | 6,287,445 | - | 200,239 |
| | $ 12,692,735 | $ 2,358,837 | $ 849,978 |

## 17. TRANSITION TO INTERNATION FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's third condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the condensed consolidated interim financial statements for the nine months ended March 31, 2012, the comparative information for the nine months ended March 31, 2011, the statement of financial position as at June 30, 2011 and the opening IFRS statement of financial position on July 1, 2010, the "Transition Date."

In preparing the opening IFRS statement of financial position including comparative information for the year ended June 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

Mandatory exceptions
In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

Optional exemptions
IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates" for cumulative foreign currency translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election and has eliminated the cumulative foreign currency translation difference and adjusted deficit by the same.

Furthermore, IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before January 1, 2010.

## Reconciliation of Assets, Liabilities and Equity

| | | As at July 1, 2010 | | | As at March 31, 2011 | | | As at June 30, 2011 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Notes** | GAAP | Effect of transition to IFRS | IFRS | GAAP | Effect of transition to IFRS | IFRS | GAAP | Effect of transition to IFRS | IFRS |
| **ASSETS** | | | | | | | | | | |
| **Current Assets** | | | | | | | | | | |
| Cash and cash equivalents | | 47,211 | - | 47,211 | 12,084,993 | - | 12,084,993 | 685,229 | - | 685,229 |
| Marketable securities | | - | - | - | 133,958 | - | 133,958 | - | - | - |
| Receivables | | 5,446 | - | 5,446 | 163,883 | - | 163,883 | 301,662 | - | 301,662 |
| Prepaid expenses and deposits | | 2,500 | - | 2,500 | 4,125 | - | 4,125 | 14,161 | - | 14,161 |
| Short term investment | | - | - | - | - | - | - | 10,532,493 | - | 10,532,493 |
| Current assets held for sale | **(c)** | - | - | - | - | - | - | 404,585 | (19,159) | 385,426 |
| Loan receivable | | - | - | - | - | - | - | 70,000 | - | 70,000 |
| Other assets | | - | - | - | - | - | - | - | - | - |
| **Total current assets** | | 55,157 | - | 55,157 | 12,386,959 | - | 12,386,959 | 12,008,130 | (19,159) | 11,988,971 |
| **Non-Current Assets** | | | | | | | | | | |
| Reclamation Bond | | 7,927 | - | 7,927 | - | - | - | - | - | - |
| Mineral properties | **(c)** | 851,493 | (1,515) | 849,978 | 2,103,681 | (12,953) | 2,090,728 | 2,358,837 | - | 2,358,837 |
| **Total non-current assets** | | 859,420 | (1,515) | 857,905 | 2,103,681 | (12,953) | 2,090,728 | 2,358,837 | - | 2,358,837 |
| **TOTAL ASSETS** | | 914,577 | (1,515) | 913,062 | 14,490,640 | (12,953) | 14,477,687 | 14,366,967 | (19,159) | 14,347,808 |
| **LIABILITIES** | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | |
| Payables and accruals | | 99,693 | - | 99,693 | 723,963 | - | 723,963 | 1,078,963 | - | 1,078,963 |
| Current liabilities held for sale | | | - | - | - | - | - | 75,121 | - | 75,121 |
| Other liabilities - premium on FTS | **(a)** | - | - | - | - | 275,000 | 275,000 | - | 275,000 | 275,000 |
| Future income tax liability | | - | - | - | - | - | - | 8,222 | 141,303 | 149,525 |
| | | 99,693 | - | 99,693 | 723,963 | 275,000 | 998,963 | 1,162,306 | 416,303 | 1,578,609 |
| **Non current liabilities** | | | | | | | | | | |
| Long term debt | | 36,800 | - | 36,800 | - | - | - | - | - | - |
| **Total current and non-current liabilities** | | 136,493 | - | 136,493 | 723,963 | 275,000 | 998,963 | 1,162,306 | 416,303 | 1,578,609 |
| **SHAREHOLDERS`EQUITY** | | | | | | | | | | |
| Share capital | **(a)** | 1,762,511 | - | 1,762,511 | 14,323,671 | (305,557) | 14,018,114 | 14,926,576 | (164,254) | 14,762,322 |
| Contributed surplus | **(b)** | 296,387 | (296,387) | - | 1,525,047 | (1,525,047) | - | 1,209,800 | (1,209,800) | - |
| Reserves | **(b)** | - | 296,387 | 296,387 | - | 1,525,047 | 1,525,047 | - | 1,209,800 | 1,209,800 |
| Deferred share based payment | | - | - | - | - | - | - | (64,998) | - | (64,998) |
| Accumulated deficit | **(a), (c)** | (1,280,814) | (1,515) | (1,282,329) | (2,082,041) | 33,562 | (2,048,479) | (2,866,717) | (252,645) | (3,119,362) |
| Accumulated other comprehensive income (loss) | **(c)** | - | - | - | - | (15,958) | (15,958) | - | (18,563) | (18,563) |
| **Total shareholders equity** | | 778,084 | (1,515) | 776,569 | 13,766,677 | (287,953) | 13,478,724 | 13,204,661 | (435,462) | 12,769,199 |
| **TOTAL SHAREHOLDERS EQUITY & LIABILITIES** | | 914,577 | (1,515) | 913,062 | 14,490,640 | (12,953) | 14,477,687 | 14,366,967 | (19,159) | 14,347,808 |

## Reconciliation of Loss and Comprehensive Loss

| | | Three months ended March 31, 2011 | | | Nine months ended March 31, 2011 | | | Year ended June 30, 2011 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | GAAP | Effect of transition to IFRS | IFRS | GAAP | Effect of transition to IFRS | IFRS | GAAP | Effect of transition to IFRS | IFRS |
| | | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Accounting fees | | 3,253 | - | 3,253 | 19,971 | - | 19,971 | 18,720 | - | 18,720 |
| Bank charges and interest | | - | - | - | 948 | - | 948 | 921 | - | 921 |
| Consulting fees | | 137,055 | - | 137,055 | 219,555 | - | 219,555 | 393,087 | - | 393,087 |
| Filing fees | | 9,977 | - | 9,977 | 16,844 | - | 16,844 | 35,654 | - | 35,654 |
| Insurance | | 6,000 | - | 6,000 | 6,000 | - | 6,000 | - | - | - |
| Legal fees | | 14,488 | - | 14,488 | 16,697 | - | 16,697 | 29,699 | - | 29,699 |
| Foreign exchange | | 4,120 | (4,120) | - | 4,520 | (4,520) | - | - | - | - |
| Meals and entertainment | | - | - | - | - | - | - | 2,553 | - | 2,553 |
| Office expenses | | 5,227 | - | 5,227 | 6,783 | - | 6,783 | 14,095 | - | 14,095 |
| Loss on disposal of asset | | 2,048 | - | 2,048 | 2,048 | - | 2,048 | - | - | - |
| Shareholder information | | 2,590 | - | 2,590 | 7,824 | - | 7,824 | 12,872 | - | 12,872 |
| Share-based payment | | 551,191 | - | 551,191 | 595,596 | - | 595,596 | 614,868 | - | 614,868 |
| Transfer agent fees | | 3,930 | - | 3,930 | 12,553 | - | 12,553 | 14,673 | - | 14,673 |
| Website development | | 700 | - | 700 | 5,700 | - | 5,700 | 8,250 | - | 8,250 |
| Travel and accommodation | | 7,453 | - | 7,453 | 7,453 | - | 7,453 | 21,720 | - | 21,720 |
| | | (748,032) | 4,120 | (743,912) | (922,492) | 4,520 | (917,972) | (1,167,112) | - | (1,167,112) |
| Interest income | | 24,036 | - | 24,036 | 21,529 | - | 21,529 | 45,208 | - | 45,208 |
| Gain (loss) on marketable securities | | 104,114 | - | 104,114 | 99,736 | - | 99,736 | - | - | - |
| Write down in mineral property | | - | - | - | - | - | - | (661,334) | - | (661,334) |
| **Net Loss before tax** | | (619,882) | 4,120 | (615,762) | (801,227) | 4,520 | (796,707) | (1,783,238) | - | (1,783,238) |
| Future income tax | (a) | - | 30,557 | 30,557 | - | 30,557 | 30,557 | 141,303 | (252,049) | (110,746) |
| **Net loss from continuing operation** | | (619,882) | 34,677 | (585,205) | (801,227) | 35,077 | (766,150) | (1,641,935) | (252,049) | (1,893,984) |
| **Net loss from discontinued operation** | (c) | - | - | - | - | - | - | 56,032 | 919 | 56,951 |
| **Net Loss** | | (619,882) | 34,677 | (585,205) | (801,227) | 35,077 | (766,150) | (1,585,903) | - | (1,837,033) |
| Other comprehensive income (loss) | | | | | | | | | | |
| Foreign currency translation | (c) | - | (7,685) | (7,685) | - | (15,958) | (15,958) | - | (18,563) | (18,563) |
| **Comprehensive Loss** | | (619,882) | 26,992.00 | (592,890) | (801,227) | 19,119.00 | (782,108) | (1,585,903) | (18,563) | (1,855,596) |

## Reconciliation of Cash Flows

| | | Nine months ended March 31, 2011 | | | Year ended June 30, 2011 | | |
|---|---|---|---|---|---|---|---|
| | Notes | GAAP | Effect of transition to IFRS | IFRS | GAAP | Effect of transition to IFRS | IFRS |
| | | $ | $ | $ | $ | $ | $ |
| **Operating** | | | | | | | |
| Net Loss | **(a),(c)** | (801,227) | 35,077 | (766,150) | (1,585,903) | (251,130) | (1,837,033) |
| ***Adjustments for:*** | | | | | | | |
| Future income tax expense (recovery) | **(a)** | - | (30,557) | (30,557) | (132,780) | 252,049 | 119,269 |
| Share-based payment | | 595,598 | - | 595,598 | 614,868 | - | 614,868 |
| Write-down of mineral property | | - | - | - | 661,334 | - | 661,334 |
| Discounted interest on term loan | | 3,200 | - | 3,200 | 3,200 | - | 3,200 |
| (Gain)/Loss on marketable securities | | (99,737) | - | (99,737) | (58,290) | - | (58,290) |
| (Gain)/Loss on disposal of mineral property | | - | - | - | (14,248) | - | (14,248) |
| Foreign exchange loss (income) | **(c)** | 4,520 | (4,520) | - | 919 | (919) | - |
| ***Changes in non-cash working capital:*** | | | | | | | |
| Accounts receivable | | (158,436) | - | (158,436) | (296,216) | - | (296,216) |
| Prepaid expenses | | (1,625) | - | (1,625) | (11,662) | - | (11,662) |
| Loan receivable | | - | - | - | (70,000) | - | (70,000) |
| Accounts payable and accrued liabilities | | (54,619) | - | (54,619) | 47,477 | - | 47,477 |
| Proceeds used in discontinued operations | **(c)** | - | - | - | 8,028 | - | 8,028 |
| **Total Operating** | | (512,326) | - | (512,326) | (833,273) | - | (833,273) |
| **Investing activities** | | | | | | | |
| Purchase of short term investment | | - | - | - | (10,532,493) | - | (10,532,493) |
| Mineral property investment | | (563,114) | - | (563,114) | (1,225,549) | - | (1,225,549) |
| Proceeds used in discontinued operations | | - | - | - | (69,418) | - | (69,418) |
| **Total Investing** | | (563,114) | - | (563,114) | (11,827,460) | - | (11,827,460) |
| **Financing activities** | | | | | | | |
| Proceeds from the issuance of common stock | | 13,153,222 | - | 13,153,222 | 13,341,665 | - | 13,341,665 |
| Repayment of long term debt | | (40,000) | - | (40,000) | (40,000) | - | (40,000) |
| Proceeds used in discontinued operations | | - | - | - | - | - | - |
| **Total Financing** | | 13,113,222 | - | 13,113,222 | 13,301,665 | - | 13,301,665 |
| Net increase (decrease) in cash | | 12,037,782 | - | 12,037,782 | 640,932 | - | 640,932 |
| Cash, beginning of period | | 47,211 | - | 47,211 | 44,297 | - | 44,297 |
| Cash, end of period | | 12,084,993 | - | 12,084,993 | 685,229 | - | 685,229 |

## 17. TRANSITION TO INTERNATION FINANCIAL REPORTING STANDARDS (cont'd…)

Notes to Reconciliations:

### (a) Flow-through Shares and Deferred Taxes

Under Canadian GAAP, the Company followed the recommendations of the Emerging Issues Committee ("EIC") of the CICA with respect to flow-through shares, as outlined in EIC-146. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made. To recognise the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

As part of the transition to IFRS the Company adopted a policy to (i) allocate the proceeds between the offering of the shares and the sale of tax benefits when the shares are offered and (ii) recognise an income tax provision upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred. In particular, the corresponding reduction of share capital in respect of flow-through share financing as previously recorded under Canadian GAAP in now recorded as an expense in the statement of loss and comprehensive loss.

Pursuant to the above policy the allocation of the proceeds from flow-through share issuance is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognised for the premium paid by the investors. The liability is reduced and the reduction of premium liability is recorded in other income upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred.

The effects of the transitional change are as follows:

(1) Premium on flow-through shares:
  (i) **December 2010 Flow-through Share Issuance:** Decreased share capital and deficit at June 30, 2011 by $30,557, to recognise the premium paid for the flow-through shares in excess of the market value of the shares without the flow-through features.
  (ii) **March 2011 Flow-through Share Issuance:** Decreased share capital and increased other liabilities at June 30, 2011 by $275,000 to recognise the premium paid for the flow-through shares in excess of the market value of the shares without the flow-through features.

(2) Renouncement of flow-through tax credits:
  (i) **Expenditures renounced in March 2011 for December 2010 Flow-through Share Issuance:** Increased share capital at June 30, 2011 by $141,303, increased deficit at June 30, 2011 by $282,606 and increased deferred tax liability at June 30, 2011 by $141,303, to recognise an income tax provision upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures incurred.

## 17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd…)

### (b) Reserves

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. Under IFRS, "Reserves" has taken the place of "Contributed Surplus" and as such the Company has examined its contributed surplus account and separated those components relating to share purchase warrants and stock options.

### (c) Adjustment on translation of foreign currency entity

Under Canadian GAAP, all the Company's subsidiaries were integrated foreign operations. Therefore, monetary items were translated at year-end rates and non-monetary items were translated at historic rates with all foreign currency gains and losses recognized in statement of operations. IFRS requires that the functional currency of each subsidiary of the Company be determined separately.

It was determined that, as at the transition date, the functional currency of the Company is Canadian dollars and the functional currency of its joint venture is USD. This results in adjustment to the carrying value of the joint venture's non-monetary assets as of the transition date.

In accordance with the IFRS 1 optional exemptions, on transition date the Company has elected to transfer the currency translation differences recognized as a separate component of equity, to deficit. Subsequent adjustments for the non-monetary assets are charged to cumulative translation adjustment (included in other comprehensive income). The net impact of this change in policy was as follows:

- At July 1, 2010, a decrease to exploration and evaluation asset of $1,515 with the offsetting charge to deficit.
- At March 31, 2011, a decrease to mineral interests of $12,953 and a cumulative charge of $15,958 to other comprehensive income.
- At July 31, 2011, a decrease to exploration and evaluation asset of $19,159 and a cumulative charge of $18,563 to other comprehensive income.

## 18. EVENTS AFTER THE REPORTING PERIOD

The following occurred subsequent to the period ended March 31, 2012:

(i) In April 2012, Matrix Diamond Drilling Inc. was contracted to undertake a minimum 5,000 metre diamond drill program at the Newman Todd property. Mobilization and the initiation of drilling is anticipated in mid-May.

(ii) On May 1, 2012, the Company terminated an investor relation agreement signed on January 1, 2012. As a result, the consultant has 30 days after the termination to exercise any amount of the vested portion of the 150,000 options granted to the consultant on January 1, 2012. The options vested but not exercised after the 30 day period will be forfeited.

(iii) On May 9, 2012, a total of 187,000 share purchase warrants issued on June 1, 2010 were exercised at a price of $0.25 for gross proceeds of $46,750. A total amount of $7,480 was transferred out of reserves and into share capital.

## 19. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform with the presentation adopted in the current year.